

Student Name : ABIGAIL MACHINE

Student Number : MCHABI003

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Supervisor : RICHARD BRADSTREET

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ABBREVIATIONS

ANZ	Australia and New Zealand
BEE	Black economic empowerment
CI	Community Investment
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
ECD	Early childhood development
EY	Earnest and Young
HSC	Higher school
NGO	Non-Governmental Organisation
NPO	Non-profit organisation
NYT	New York Times
RM	Malaysian Ringgit

CHAPTER ONE

The development of Corporate Social Responsibility

Introduction

The King Report on Corporate Governance (1994) evoked unprecedented interest in corporate governance in South Africa. The concept of corporate governance was born out of the agency problem that arose when ownership of companies became separated from the control thereof. As owners of the companies no longer controlled the management of the companies, the responsibility for control shifted to the directors of the company. The situation created problems in that directors could abuse their control function to their own advantage to the detriment of the owners. Corporate governance was then introduced to ensure that the agents of the owners of companies control companies in ways that will serve the interests of shareholders of the company.¹

The term 'Corporate Governance' is susceptible of both narrow and broad definitions. In a narrow sense, it refers to the practice by which companies are managed and controlled.² It could also be defined as the relationship between corporate managers, directors and shareholders.³ It can also encompass the relationship of the corporation to stakeholders and society.⁴ More broadly defined still, it can encompass the combination of law, regulations, listing rules and voluntary private sector practices that enable the corporation to attract capital, perform efficiently, generate profit and meet both legal obligations and general societal expectations.⁵ Sir Adrian Cadbury defined Corporate Governance as doing what is right, decent, honest and proper in order to hold a balance between economic and social goals on the one hand and on the other hand between the

¹ GJ Rossouw et al 'Corporate Governance in South Africa' (2002)37 issue 3, *Journal of Business Ethics*, 289.

² R Naidoo *Corporate Governance* 2ed (2009) 3.

³ HJ Gregory et al 'Corporate governance: What it is and why it matters' (9th international Anti-corruption conference 10-15 October 1999, Durban, South Africa.

⁴ Ibid.

⁵ Ibid.

goals of individuals and community.⁶ He went on to state that the aim of Corporate Governance is to align, as early as possible, the interests of individuals, corporations and society.⁷ All the definitions point to a system where Corporate Governance is active both economically and socially, engaging all stakeholders and not only the owners of the company, being the shareholders.

The King reports have identified seven characteristics of good corporate governance, which characteristics were especially enshrined in the King II report and later emphasised in King III. Corporate social responsibility was one of the seven characteristics identified together with transparency, responsibility, independence, discipline, fairness and accountability.⁸ The concept of Corporate Social Responsibility (CSR) has attracted voluminous literature in relation to the business case for employing it especially in today's business strategies. The writer seeks to focus on the concept in relation to the dissertation subject, particular regard being paid to CSR practices prevalent in the banking sectors of South Africa and Australia.

Evolution of Corporate Social Responsibility (CSR)

A prominent explanation for the rise of CSR is related to globalisation and its discontents.⁹ The issue began as a concern for the role of corporate managers and their ability to consider the interests of stakeholders in the decision making process.¹⁰ In other words, although it could be perceived that the managers had the ability to make decisions that served the well-being of the company, the question that still remained was to what extent were they able to fully embrace stakeholder interests.

A classic example would perhaps be evident in the Henry Ford case. In 1919, when Henry stood in the Michigan courtroom defending his decision to reinvest Ford Motor Company's accumulated profits on plant, while slashing the price of model T vehicles, he stated that the purpose of his company was to do as much as

⁶ Sir Adrian Cadbury: Corporate Governance Overview, World Bank, 1999.

⁷ Ibid.

⁸ King 111 report, South Africa.

⁹ M Gjolberg 'The origin of corporate social responsibility: Global forces or national legacies?' (2009)7 no. 4 Socio economic review,605

¹⁰ L Whitehouse 'Corporate social responsibility, corporate citizenship and the global impact: A new approach to regulating corporate social power?'(2003)3 *Global social policy* 299.

possible for everybody concerned, to make money, use it, give employment, send out the car where the people could use it and incidentally make money.¹¹ His idea was squashed by the shareholders and the court which granted Dodge Brothers' request for maximum dividends. The court held in that case that Ford owed a duty to the shareholders of Ford Motor Company to operate the business to profit the shareholders, rather than the community as a whole or employees.¹² This means that for the court, only owners of the business who are the shareholders were owed by the business as opposed to other stakeholders. Years later, when his great grandson William Clay Ford junior took the helm of the company and tried again to convince his company's stakeholders of the importance of business as a service to society, he was met with considerable support from various stakeholders including the shareholders. He stated that there was a need to find ingenious ways of delighting the consumers, to provide superior returns to shareholders and make the world a better place for everyone.¹³ This difference could be attributed to changes in perceptions as to who was served by the company. In this regard, what brought the differences in shareholders' attitude regarding CSR were the changes in their perception regarding CSR and the relationship with the bottom line performance of organisations. The concept became associated with broader organisational goals such as reputation and stakeholder management.¹⁴

The relationship between morality and business has long been recognised. Practices based on moral principles and controlled greed were advocated by pre-Christian western thinkers such as Cicero in the first century BC and their non-western counterparts such as India's Kautilya in the fourth century BC; Islam and the medieval Christian church publicly condemned certain business practices, notably usury.¹⁵ Modern precursors of CSR can be traced back to the 19th century boycotts of foodstuffs produced with slave labour, the moral vision of entrepreneurs such as Cadbury and Marks and the Nuremburg trials after the

¹¹ DL Lewis *The public image of Henry Ford; An American folk and his company* (1987).

¹² *Dodge v Ford motor company* 170 NW 668(SC)1919 Michigan

¹³ R Meredith 'The newest Ford generation takes the company spotlight' *New York Times* 14/05 (1999).

¹⁴ JW Meyer and B Rowan 'Institutionalised organizations: formal structure as myth and ceremony' (1977) 83 *American Journal of Sociology*, 340–363.

¹⁵ M Blowfield et al 'Setting new Agendas: Critical perspectives on CSR in the developing world' (2005) 81 issue 3 *International affairs* 499-513.

Second World War which saw the directors of the German firm IG Faben found guilty of mass murder and using slave labour.¹⁶ From a historical perspective then CSR is simply the manifestation of earlier debates on the role of business in society. What is new today is that debates are conducted at the intersection of development, environment and human rights and are more global in outlook than earlier on.¹⁷ Society realised that as business continued to expand and grow, the environment as a whole was changing, with the result of positive and negative effects. Business had to take responsibility for both results. There was also a realisation that business should not only stand to serve its owners when there were more contributors than shareholders, who also ensured its survival. In that context, the attitude of the business had to change and include more than one beneficiary, the shareholder.

Statement of the problem

A considerable amount of literature has been written around the subject of CSR. Different questions have been posed as to the relevance of CSR practices in business. A study of literature review on corporate social responsibility with particular reference to South Africa shows that much reference to CSR is in the general context and little has been done and researched on in respect of specific areas or industries, for example the CSR practices of the banking sector. The financial service sector is a key contributor to creating socio-economic stability and development.¹⁸ In South Africa, the sector contributes to about 10,5 per cent of the gross domestic product (GDP). The banking industry assets represent just over 50 per cent of total financial services sector assets.¹⁹ The industry is highly regulated, especially in light of the 2008 global financial crisis that has resulted in the failure of major corporations in the industry globally, for example Lehman Brothers and Bank

¹⁶ JB Ciulla, 'Why is business talking about ethics? Reflections on foreign conversations' (1991)34:1 *California Management Review* 67–86.

¹⁷ H Fabig et al 'The changing nature of NGO activity in a globalizing world: pushing the corporate responsibility agenda' (1990) 30: 3, *IDS Bulletin* 63.

¹⁸ EY Integrated reporting industry research-Material issues and key performance indicators for South African owned companies (banking industry) September 2013.

¹⁹ Ibid.

of America, together with governance scandals like money laundering fine for HSBC and Standard Chartered's fine for circumventing US sanctions against Iran.²⁰

South Africa is a competitive country and competes with developed countries like Australia. The global competitiveness Index for 2014-2015 shows that whilst Australia was ranked 22 out of 144 countries, South Africa was ranked 56 out of 144 countries.²¹ South Africa's financial market development remains impressive at 7th place, whilst Australia achieved its best rank in the financial market development pillar, advancing one position to 6th place.²² In particular, the soundness of Australia's banking sector is especially strong, ranked 3rd behind Canada and New Zealand.²³ A focus of the study will be on the South African banking sector, comparing it with the CSR practices of Australian banking sector. The reason for this comparative analysis stems from the similarities that are prevalent between the two countries, although they have different designations, with one country as a developing country and the other as a developed country respectively.²⁴ Both countries were once colonies.²⁵ Australia was ruled by British and South Africa was ruled by Dutch and British.²⁶ Both countries' financial sectors are well regulated and developed.²⁷ Similar rules regarding disclosing information are applied in both countries' listed companies. The listed companies in both countries are required to disclose their social and environmental information in addition to their financial information.²⁸ It is worth noting that whilst the South African King III code applies to all entities,²⁹ the Australian code applies only to listed companies.³⁰ It may be implied that due to the similarities in social and environmental legislation and other rules in Australia and South Africa, pressure

²⁰ Ibid.

²¹ [www3.weforum.org/docs/GCR 2014-2015/GCR_Highlights_2014-2015.pdf](http://www3.weforum.org/docs/GCR%202014-2015/GCR_Highlights_2014-2015.pdf)

²² Ibid.

²³ Ibid.

²⁴ Data.worldbank.org/about/country-and-lending-groups.

²⁵ 'Cultural differences between South Africa and Australia', 2011 accessed at www.convictcreations.com.

²⁶ Ibid.

²⁷ http://www.africa.com/south-africa/south_african_economy/finance, accessed on 28/08/1.

²⁸ C De Villiers et al 'The institutionalisation of CSR reporting' Paper presented at the annual congress of the European Accounting Association, Rome, 2011.

²⁹ King III Code 2009, p16.

³⁰ ASX Corporate Governance principles, 2003. Principles of Good Corporate Governance and Best Practice Recommendations.

from the stakeholders of the two countries may emerge in similar manner that leads to similar attention towards CSR in both countries.³¹

There are however differences in the social structure of the two countries in a number of ways. For example of definite margins, Australia falls under 'high income' economy category while South Africa falls under 'upper middle income' economy category.³² In Australia, people are identified with no race group as there was no racial conflict and there is no policy of keeping groups separated from others.³³ By contrast, in South Africa, people are historically defined according to their respective identities as black, coloured, Indian or white.³⁴ As a result of such social differences in South Africa, poverty, unemployment, HIV and Aids issues are more common topics although attention is also paid to environment and climate issues. In Australia, environmental issues receive more attention.³⁵

In recent years, there have been several attempts to identify and explain essential corporate governance principles.³⁶ Although there are numerous examples, the two best examples of identifying and extracting the essential principles of corporate governance are perhaps the South African King Report (2009)³⁷ and the ASX corporate governance council's principles of good corporate governance and best practice recommendations.³⁸ These two stand out because of the brevity and clarity of expressing the essential characteristics and principles of corporate governance. It would be useful to find out how these highly ranked codes compare in terms of their practices in the CSR realm. The banking sector is significant because there are a lot of players in the sector, foreign and locally controlled and it is a key enabler and participant in economic, social and political development.³⁹ Given the global challenges and the global competitiveness of the

³¹ M D Humayun Kabir et al 'CSR motives of Australia and South Africa: A socio-economic perspective (2013)11 issue 1 259-269.

³² data.worldbank.org/about/country-and-lending-groups

³³ Cultural differences between South Africa and Australia op cit (n25).

³⁴ Ibid.

³⁵ De Villiers op cit (n28).

³⁶ See, for example, OECD Principles of corporate governance, above n7, and The combined code on corporate governance(UK combined code(2003) (July 2003) <<http://www.frc.org.uk/combined.cfm>>

³⁷ King III code (2009), op cit (n29), para 18.

³⁸ ASX Principles (2003), op cit (n30), 11.

³⁹ The banking association of South Africa, available at www.banking.org.za/index.php/our-industry/banking-on-the-national-development-plan/

South African banking sector, the writer seeks to uncover to what extent the players in the banking sector keep up with both global and local CSR standards, in order to meet both voluntary and regulated CSR. The question that the dissertation seeks to answer is how the South African banking sector fares in terms of CSR in accordance with its definition of the term, in comparison with Australia.

Methodology

The companies' commitment to CSR as disclosed in their integrated reports and web content analysis of the top four banks in South Africa and Australia.

Existing literature will be visited to see the practices of other banking sectors in selected countries whose CSR practices have been researched on and compare with the current study and gain an overview of the common traits among the different banking sectors. Reference will be made to textbooks, journals and articles.

Particular reference in respect of South Africa will be made to the reporting periods from 2010 to date, regard being paid to the fact that issues of CSR became very prevalent especially in this period, after the new King III Report was released. The following questions will be answered:

- 1) What is the banks' definition of CSR?
- 2) To whom are the CSR practices directed and for what reasons?
- 3) What is the nature of CSR practices of countries selected for literature review?
- 4) What is the nature of CSR practices dominant in the South African banking sector and how does it compare with the Australian Banking Sector?
- 5) What are the overall findings on CSR issues from both literature review and comparative analysis?

Limitations

The study has been carried in a restricted time period and therefore primary data could not be used to support the study. The evidence relied on for the study is secondary and that alone cannot be a true reflection of what is happening in practical terms. The study focuses on one area in the South African context and the research does not focus on every bank operating in South Africa. The focus of this

study will be on the top four South African banks by market share listed on the Johannesburg Stock Exchange Socially Responsible Index (JSE SRI) which are Standard Bank, Nedbank, FirstRand Bank and Barclays Africa Group Ltd.⁴⁰ A comparative analysis will be done against the four major banks in Australia which are National Australia Bank, Commonwealth Bank, Westpac and Australia and New Zealand Banking Group (ANZ).⁴¹ The findings do not give a full picture of the practices in this sector, as the study focuses on big companies only, but they provide an understanding of the general practices. The study also focuses on one comparative analysis with a developed country. Questions still arise as to how other developing countries like South Africa fare in terms of their CSR practices. Content analysis has limitations, such as the risk of capturing an incomplete picture of the company's business⁴², but it is also a widely accepted research instrument.⁴³

Dissertation Outline

Chapter One

The first chapter introduced the developmental background of corporate social responsibility from its parent, corporate governance and the evolution of CSR, the problem statement, research questions and dissertation outline. It discussed the methodology and limitations of the study.

Chapter Two

This section will first deal with the definitions of CSR in their wide interpretation and proceed to explore the theories surrounding the concept of CSR. A look at the preferred and generally accepted and understood definition of CSR from a South African and Australian perspective will also be discussed.

Chapter Three

This section will deal with the general review on the literature of the subject of the dissertation, particular reference being made to the different banking

⁴⁰ www.pwc.co.za/en/publications/major-banks-analysis.jhtml (pwc analysis of major banks' results for the reporting period ended 31 December 2013).

⁴¹ www.kpmg.com/Au/en/IssuesAndInsights/ArticlesPublications/Financial-Institutions-Performance-Survey/Major-Banks/Documents/major-australian-banks

⁴² J Unerman 'Methodological issues – Reflections on quantification in corporate social reporting content analysis' (2000)13 issue 5 AAAJ 667-681.

⁴³ N Brenna et al 'Corporate governance, accountability and mechanisms of accountability: An overview' (2008)21 issue 7 AAAJ, 885-906.

industries of various selected countries whose CSR has been researched on in relation to their experience in CSR practices. The review is based on the availability of information as there is little that has been researched on in terms of CSR in the banking sector and focuses on the general nature of CSR practices of the countries selected. Seven countries in particular have been reviewed.

Chapter Four

This chapter focuses on CSR practices in the South African banking sector as reflected in the integrated reports and other reference points. A comparative analysis will be done using the Australian banking sector practices as reflected as well in the integrated reports. These two countries are the major focus of the study as the dissertation seeks to make a comparative analysis of two of the most recognised jurisdictions in terms of the soundness of their banking system, coming from a developing and developed perspective.

Chapter Five

This chapter discusses the findings in chapter three and four and concludes with a general overview of the whole concepts of CSR in the banking context. Recommendations will be provided from lessons learnt and reference will be made to further areas of research.

CHAPTER TWO

Definitions and Theories of CSR

Definitions of CSR

The concept of CSR has a long and varied history. It is possible to trace evidence of the business community's concern for society for centuries.⁴⁴ However, formal writing on social responsibility is largely a product of the 20th century, and has been most evident in the United States, where a sizeable body of literature has accumulated.⁴⁵ Despite the inconclusive definitions, different approaches and many dimensions of CSR, the principal notions of this paradigm are almost established. Various definitions of CSR associate it with notions of governance, stakeholder theory, business ethics, sustainability, organisational culture and the relationship between business and society in general.⁴⁶

The publication by Howard R Bowen of his book 'Social responsibilities of the businessman (1953)' is argued to have marked the beginning of the modern period of the literature on the CSR subject.⁴⁷ His work proceeded from the belief that the several hundred largest businesses were vital centres of power and decision-making and that the actions of the firms touched the lives of citizens at many points.⁴⁸ In simpler terms, businesses employed people, operated in the same societies, touching the lives of people other than employees and their families. Their operations and actions, whether positive or negative, affected the people and the society. Accordingly, he defined the social responsibility of businessmen as their obligations to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of the society.⁴⁹ Bowen believed in the potential of businesses to influence society because of their economic power. Morality had to be read together with business activities. His definition stems from the belief that there is a give and take situation

⁴⁴: AB Carroll 'CSR Evolution of a definitional construct' (1999)38 no.3 *Business and Society* 268.

⁴⁵ Ibid.

⁴⁶ D Matten et al 'Corporate citizenship: Toward an extended theoretical conceptualisation' (2005)30 issue 1 *Academy of Management Review*, 166 -179.

⁴⁷ Carroll op cit (n44) 269.

⁴⁸ HR Bowen *Social responsibilities of the businessman* (1953), 3.

⁴⁹ Ibid 6.

in the existing relationship between society and business. This means that as a result of being accepted by society as operational, business should return the goodness by responding to society's needs.

In the 1960s, Keith Davis first defined social responsibility, as it was known during this time as 'businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct, economic or technical interest.'⁵⁰ Walton confirmed this stance in his book, where he defined CSR as a new concept which 'recognises the intimacy of the relationships between the corporation and society and realises that such relationships must be kept in mind by top managers as the corporation and related groups pursue their respective goals'.⁵¹ He further elaborated that the essential ingredient of the corporation's social responsibilities include a degree of voluntarism as opposed to coercion.⁵² In 1979, Fitch defined CSR in terms of solving problems and stated that 'corporate social responsibility is defined as the serious attempt to solve social problems caused wholly or in part by the corporation'.⁵³ His problem solving perspective on CSR was that firms, to be socially responsible, must identify and define a social problem and then from an array of those problems, decide which ones to attack first.⁵⁴

In 1979, Carroll proposed a four part definition of CSR that was embedded in a conceptual model of corporate social performance. He defined it as the responsibility of business encompassing economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time.⁵⁵ Jones, in 1980 defined CSR as follows:

'Corporate social responsibility is the notion that corporations have an obligation to constituent groups in society other than stakeholders and beyond that prescribed by law and union contract. Two facets of this definition are critical: First, the obligation must be voluntarily adopted; behaviour influenced by the coercive forces of law or union contract is not voluntary. Second, the

⁵⁰ Keith Davis 'Can business afford to ignore social responsibilities?' (1960) 2 *CMR*, 70.

⁵¹ CC Walton *Corporate social responsibilities* (1967), 18.

⁵² Ibid.

⁵³ HG Fitch 'Achieving CSR' (1976) 1, 38.

⁵⁴ Carroll op cit (n44) 281.

⁵⁵ AB Carroll 'A three dimensional conceptual model of corporate social performance' (1979) 4 *AMR*, 500.

obligation is a broad one, extending beyond the traditional duty to shareholders, to other societal groups such as customers, employees, suppliers and neighbouring communities.⁵⁶

In the same vein, Carroll revisited his definition of 1979 in 1983 and elaborated on his four part definition of CSR:

‘In my view, CSR involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible...then means that profitability and obedience to the law are foremost conditions to discussing the firm’s ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent. Thus CSR is composed of four parts: economic, legal, ethical and voluntary or philanthropic.’⁵⁷

What he basically did was to substitute ‘discretionary’ with voluntary and philanthropic. In 2006 Dahlsrud in her research attempted to consolidate the CSR definitions that prevailed at the time. She gathered the CSR definitions through literature review, identified five dimensions of CSR through content analysis, and developed a coding scheme to obtain an overview of which definitions referred to which dimensions and finally a frequency count from Google search of all the definitions referring to a specific dimension to calculate the relative usage of each dimension.⁵⁸ She found that although the definitions apply different phrases, they predominantly converge, making the lack of one universally accepted definition less problematic than it might seem at first glance.⁵⁹ She concluded her research by stating that there are many available definitions of CSR and they are constantly referring to five dimensions.

A look at the table drawn by this author displaying the definitions, source of definition, frequency count from Google and which dimensions each definition was categorised is illustrated. The definition source refers to where the definition emanated from, whilst frequency count refers to how often the dimensions were invoked. Dimension of each definition refers to the perspective of CSR, which is how the author understands CSR to mean and what shape it conforms to. The relative usage of each definition was obtained by comparing frequency counts from Google

⁵⁶ Thomas M Jones ‘Corporate social responsibility revisited, redefined’ (1980) *CMR*, 59-60.

⁵⁷ AB Carroll ‘CSR: Will industry respond to cutbacks in social program funding?’ (1983) 4 *Vital speeches of the day*, 604.

⁵⁸ Alexander Dahlsrud ‘How corporate social responsibility is defined: An analysis of 37 definitions’ (2006) 15 Issue 1 *Corporate Social Responsibility and Environmental Management*, 1-3.

⁵⁹ *Ibid* 6.

internet search engine. Evidence from the consolidated data shows that the recurring themes in almost each definition were those of social, economic and stakeholder characteristics. This means that the definitions were founded on the grounds relating to these issues mostly, implying a conclusion that most writers believed CSR's foundations to be underpinned by these considerations. The top ten definitions were selected as well as the bottom five from the 37 definitions. This is because all the definitions more or less point to the same conclusion on CSR definition.

Consolidated data on CSR definition

Definition Source	Definition	Frequency	Dimensions
1. Commission of the European Commission	A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis	286	Voluntariness Stakeholder Social Environmental Economic
2. World Business Council For Sustainable Development	The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life	180	Stakeholder Social Economic
3. World Council For Sustainable Development, 2000	CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large	156	Voluntariness Stakeholder Social Economic
4. Commission of the European Communities, 2001	CSR is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment	134	Voluntariness Social Environmental
5. Business for social	Business decision making linked to ethical	131	Voluntariness

responsibility, 2000	values, compliance with legal requirements and respect for people, communities and the environment		Stakeholder Social Environmental Economic
6. Business for social responsibility, 2000	Operating business in a manner that exceeds or meets ethical, legal, commercial and public expectations that society has of business. Social responsibility is a guiding principle for every decision made and in every area	117	Voluntariness Stakeholder Economic
7. IBLF, 2003	Open and transparent business practices based on ethical values and respect for employees, communities and the environment, which will contribute to sustainable business practices	82	Voluntariness Stakeholder Social Environmental Economic
8. Khart et al, 1999	CSR is the overall relationship of the corporation with all of its stakeholders. These include customers, employees, communities, owners/investors, government, suppliers and competitors. Elements of social responsibility include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance	48	Stakeholder Social Environmental Economic
9. Business for social responsibility, 2003b	CSR is achieving commercial success in ways that honour ethical values and respect people, communities and the natural environment	46	Voluntariness Stakeholder Social Environmental Economic
10. Commission of the European Communities, 2003	CSR is the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing	40	Voluntariness Stakeholder Social

	commitment by business to behave fairly and responsibly and contribute to economic development while improving the quality of life of the workforce and their families as well as of local community and society at large.		Economic
11. Andersen, 2003	We define CSR broadly to be about extending the immediate interest from oneself to include one's fellow citizens and the society one is living in and is a part of today, acting with respect for the future generation and nature	1	Stakeholder Social Environmental
12. Frederick et al, 1992	CSR can be defined as a principle stating that corporations should be accountable for the effects of any of their actions on their community and environment	1	Stakeholder Social Environmental
13. VanMarrewijk, 2003	In general, corporate sustainability and CSR refer to company activities- voluntary by definition-demonstrating their inclusion social and environmental concerns in business operations and in interactions with stakeholders	0	Voluntariness Stakeholder Social Environmental Economic
14. Jackson and Hawker, 2001	CSR is how you treat your employees and all your stakeholders and the environment	0	Stakeholder Social Environmental
15. Foran, 2001	CSR can be defined as the set of practices and behaviours that firms adopt towards their labour force, towards the environment in which their operations are embedded, towards authority and towards civil society	1	Stakeholder Social Environmental

The conclusion from the research above by Dahlsrud shows that although there is no unique consensus around the concept of CSR definition, it is possible to

identify recurring themes in the different definitions that have been proposed. The definitions all evolve around the dimensions identified. It is important to note that although there is a difference in the frequency count, there is constant agreement on the dimensions that CSR should evolve around, which point serves to illustrate that CSR is commonly understood in almost the same context, even if it may be applied differently in different organisations and circumstances.

A further look at the underpinning theories advancing CSR practices will help to understand why the above definitions have been given in relation to CSR. The different theories explain the different concepts of CSR and proceed to argue why, based on each theory, CSR should be practiced and for whose benefit. These theories seek to answer the question of the business case for CSR. The business case refers to the bottom financial and other reasons for business pursuing CSR strategies and policies.⁶⁰ Arguments stemming from these theories seek to explain why business, besides the bottom line of making profit should embrace factors going beyond profit maximisation.

Theories for CSR

Neo classical perspective

According to the neo-classical theory of CSR, the responsibility of business is to ensure optimal economic performance of corporations in order to increase shareholder wealth.⁶¹ The leading proponent of this theory, Milton Friedman, argues that only people have responsibilities and not business. For him, the duty of those entrusted with running the business affairs is to increase shareholder profit, and any deviation from such responsibility in pursuit of social responsibility is an uncalled for tax on the owners of the business.⁶² His argument is basically that it is out of the scope of business to become engaged socially, and that the only responsibility of business is to conform to the basic rules of the society, both those

⁶⁰ AB Carroll and KM Shabana 'The business case for CSR: A review of concepts, research and practice (2010)12 issue 1 *IJMR*, 85.

⁶¹ Lucy Da Piadade and Adele Thomas 'The case for CSR: Arguments from the literature' (2006)4 issue 2 *SAJ Human resources management* 59.

⁶² Milton Friedman 'The social responsibility of business is to increase its profits' (1970) *NYT Magazine* September 13, 137-141.

embedded in law and in ethical custom.⁶³ The most common interpretation of Friedman's statements are that in a democratic society, government is the only legitimate vehicle for addressing social concerns and that business' involvement in this respect should be curtailed.⁶⁴ In summary, Friedman regards talk about corporate social responsibility for business executives as short-sighted and dangerous, unless it is done in the self-interest of the corporation.⁶⁵ Levitt also warned about the dangers of adopting CSR criteria, noting that '...welfare and society are not the corporation's business. Its business is making money not sweet music.'⁶⁶

In the same vein, Korten argued that ethical organisations are necessarily pushed out of a competitive market.⁶⁷ It may be worth noting that at the time that these arguments were put forward, especially Howard's argument in the 1970s, they may have been justified in the sense that corporations may not have had the means to meet the demands of the society and other issues other than satisfying the business intent. However this argument would be questionable in cases where businesses sometimes are found to be more powerful than the nations. For example, the 172nd largest corporation, the Russian oil company Rosneft Oil, has revenue equivalent to the GDP of the 74th largest country, Uruguay.⁶⁸ Such example goes to show how powerful companies can be, and it would be contrary to the best interests of society for such a big company not to be involved beyond its economic profit, as companies positively and negatively affect societies and redress of harm to society should reasonably be met by the responsible business.

Legal Perspective

The neo-classical model evolved further when laws constraining business behaviour began to proliferate in response to changed societal operations, from being strictly economic in nature to encompassing aspects that had previously been

⁶³ Ibid.

⁶⁴ AB Carroll & AK Buccholtz 'Business & Society 4ed (2000) Cincinnati: South Western College Publishing.

⁶⁵ Deon Rossouw et al *Business ethics* 4ed (2010) 84.

⁶⁶ T Levitt 'The dangers of social responsibility' (1958) *Harvard Business Review*, 41-50.

⁶⁷ D Korten 'When corporations rule the world' (1997) West Hartford Connecticut; Kumarian.

⁶⁸ Responsible Capitalism should go further, accessed at <http://www.theguardian.com/sustainable-business/blog/responsible-capitalism-power-companies>, 24 October 2012.

left to the discretion of businesses.⁶⁹ In other words, business operations were not subject to strict regulations in some aspects which were out of the economic bracket such as the social and environmental issues which are now advocated by CSR reform. Rossouw and Vuuren agree that the social obligation of companies is to comply with formal standards imposed by society and that the purpose of such formal standards is to prevent companies from engaging in irresponsible behaviour that can jeopardize the functioning of the market, society or environment.⁷⁰ They go on to discuss whether obeying a law or a standard set by an external party should be regarded as socially responsible behaviour by business, or whether it should merely be seen as a duty that companies, like other members of society have to fulfil.⁷¹

In this respect, an argument was put forth that there are two kinds of social responsibility, being implicit CSR which companies perform when they adhere to external standards, and explicit CSR which companies perform in the absence of formal external standards.⁷² This proposed explanation seeks to highlight that being socially responsible entails both voluntary and mandatory standards, especially given the sometimes reckless operations of businesses when left to their discretion to do what is responsible. In this regard therefore, being responsible entails responding to mandatory standards and then going further than that to embrace voluntary standards to ensure responsibility.

Philanthropic perspective

This theory is predicated on the notion of charity, requiring more fortunate members of society to assist the less fortunate and stewardship requiring business and wealthy members to act as caretakers of property, holding it in trust for the society as a whole.⁷³ The philanthropic responsibilities of business encompass 'those corporate actions that are in response to a society's expectation that

⁶⁹ Carroll & Buccholtz op cit (n64).

⁷⁰ Rossouw & Vuuren op cit (n65)32-33.

⁷¹ Ibid.

⁷² D. Matten & J. Moon 'Implicit and Explicit CSR: A conceptual framework for a comparative understanding of CSR' (2008) 33 issue 2 *AMR*.

⁷³ W.C. Frederick 'From CSR1 to CSR2: The maturing of business and society thought' (1994) 33 issue 2 *Business and society*, 150-167.

business be a good corporate citizen.’⁷⁴ This theory supports the fact that if business can afford, then let it contribute out of its goodwill. There are various reasons why companies might want to engage in such discretionary donations to society. They may donate out of mere sympathy for the suffering of the less fortunate members of the society, or maybe because the company stands to benefit in the long run. For example, the companies may sponsor bursaries for students in schools because they stand to benefit from a society that is better educated or who have more people that they potentially can employ.⁷⁵

Stakeholder perspective

This view holds that the responsibility of business is more than its primary economic duty to shareholders, who are conceived as the owners of the business or corporation. Business has a duty to other stakeholders as well. Stakeholder refers to any individual who can affect or be affected by the achievement of the organisation’s objectives.⁷⁶ Two principles provide the basis for a stakeholder theory, namely the principle of corporate rights and the principle of corporate effects.⁷⁷ The principle of corporate rights stipulates that the corporation and its managers may not violate the legitimate rights of others to determine their own future, while the principle of corporate effects states that the corporation and its managers are responsible for the effects of their actions on others.⁷⁸

From a stakeholder perspective, adopting these principles amount to the management of corporations taking moral responsibility for the consequences of their actions on all stakeholders of the corporation.⁷⁹ This theory reveals the liabilities that may come with failing to consider carefully the effects resulting from the corporation’s activities and the people responsible for running the corporation. For example, a corporation may be liable in a lawsuit together with its managers if it is found that they both failed to operate effectively in terms of existing legal

⁷⁴ Carroll & Shabana op cit (n60) 96.

⁷⁵ Rossouw & Vuuren op cit (n65) 36.

⁷⁶ ER Freeman ‘The Stakeholder Approach revisited’ accessed at http://zfwu.de/fileadmin/pdf/3_2004/Freeman_HansenBodeMossmeier.pdf (251).

⁷⁷ W Evan & R Freeman A stakeholder theory of the modern corporation: Kantian Capitalism. In T. Beauchamp & N Bowie (Eds) *Ethical Theory and Business* 4 ed New Jersey; Prentice Hall.

⁷⁸ Ibid.

⁷⁹ Rossouw & Vuuren op cit (n65) 92.

standards, which actions would have impacted negatively on the society. It is thus necessary, according to this theory to be mindful of all stakeholders where business is concerned, as one oversight might still lead to accountability.

Broader societal perspective

Three theories stem from the broad stakeholder and society perspective, viz, social contracts, legitimacy and enlightened value maximisation theory. The social contracts look at both the areas in which organisations need to get involved as well as specific involvement and responsibility programme.⁸⁰ Under the legitimacy theory, organisations often seek to legitimise their activities through communicating the benefits of their involvement and changing perceptions about their business.⁸¹ Organisations not only earn legitimacy but are expected to use the power granted to them responsibly or such power will be withdrawn by society.⁸² In other words, when society accepts a business as operational in its area, which is the social licence granted to operate, the business has to prove its legitimacy by doing what is good, which good embraces society. The basic premise of enlightened value maximisation is that 'we cannot maximise the long term market value of an organisation if we ignore or mistreat any important constituency.'⁸³ In terms of this theory, managers and employees are motivated to seek value by instituting those changes and strategies that are most likely to increase organisational value.⁸⁴ For a business to enjoy long term benefits of the market, there is need to engage with all factors contributing to the welfare of the business, which include economic, social and environmental issues. The enlightened value maximisation theory is concerned with the changes in the way business is conducted with each evolving period of business conduct and factoring them into business strategy.

Common to these theories is that business should not be run in order to meet one goal as there are many facets which affect and are affected by business, the result which is responsible conduct through CSR. In today's society where the

⁸⁰ da Piedade et al op cit (n61) 60.

⁸¹ Ibid.

⁸² S Zadek 'The path to corporate responsibility' (2004) *HBR*, December 1 8.

⁸³ Mc Jensen 'Value maximization, stakeholder theory and the corporate objective function' (2001). 14 issue 3 *Journal of Applied Corporate Finance*, 8 -21.

⁸⁴ da Piedade et al op cit (n61) 60.

bottom line has ceased to be the primary goal, CSR can be looked at as a form of sustainability, where businesses operate in such a manner as to meet their financial obligations as well as other important goals like social and environmental responsibilities, to enable future generations to conduct business as well. A further look at the business case for CSR justifies the theories.

The Business Case for CSR

The arguments for business case for CSR stem from different perspectives which include legal, moral, economic and philanthropic benefits. As earlier mentioned, the business case touches on why corporations pursue CSR strategies and policies.⁸⁵ It should be noted that there have been arguments against CSR and these arguments were introduced decades ago although some still hold them. The opposing arguments were applicable when the idea was once more narrowly conceived.⁸⁶ For purposes of this study, focus will be on arguments advancing CSR practices.

Arguments in favour of CSR typically begin with the belief that it is in the business' long term self-interest to be socially responsible.⁸⁷ This means that if businesses are to enjoy a long, healthy environment in which to function in the future, they must take actions now to ensure the long term viability of the business environment. Sustainability is therefore called for in this view. Sustainable development was first defined in the 1987 Brundtland Commission Report as a business 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs.'⁸⁸ This view is also incorporated in moral context. There is a well understood notion that corporations cause social problems and therefore have a moral responsibility to solve those that they cause and to prevent further social problems arising. As powerful social actors, with recourse to substantial resources, corporations should use their power and resources responsibly in society.⁸⁹

⁸⁵ Carroll & Shabana op cit (n60).

⁸⁶ Carroll & Shabana op cit (n60) 89.

⁸⁷ Ibid.

⁸⁸ Brundtland Commission, quoted in 'what is a sustainable city?', paper accessed at <http://www.rec.org/SustainableCities>.

⁸⁹ Andrew Crane & Dirk Matten *Business ethics: Managing corporate citizenship and sustainability in the age of globalisation*, 3ed (2010) 52.

An example of Johnson & Johnson's Tylenol case supports the above case. Contaminated Tylenol, one of its key brands, caused the death of seven people in Chicago in 1982.⁹⁰ The company made a decision that was ethically sound but which could have lasting financial implications. It recalled and destroyed 22 million bottles of Tylenol at a cost exceeding US\$100 000 000. In a short space of time, the product reclaimed its market share, as a result of the company's maintenance of its strong moral courage, and managed to emerge with its reputation intact.⁹¹ The company was ranked first in the Reputation Institute's annual survey of the most reputable companies in 2008 to 2009.⁹² This company's response at a time of crisis as the one described has helped it to retain its reputation to date as a responsible company, hence boosting its financial returns because it remains a preferred brand. Being responsible not only affects the short term result, but the long term results as a result of continuous reference to incidences. Businesses cannot take the risk of ignoring responsible behaviour with the hope that the passage of time will erase the negative effects of their conduct.

The second argument in support of the business case is that CSR will ward off government regulation.⁹³ This is a very practical reason and it is based on the idea that future government intervention can be frustrated to the extent that business polices itself with self-discipline standards and fulfils society's expectations of it.⁹⁴ The only way that government will stop intervening through legislation is when corporations begin to fully embrace this notion of CSR, embed it in their company cultures and practice it beyond boardroom manifestations. The third argument is that business has resources and so let it try. The latter two views maintain that because business has a reservoir of management talent, functional expertise, capital and many others have tried and failed to solve social problems, business should be given a chance.⁹⁵ The increasing influence of companies could see them equalling, perhaps even surpassing the states as the dominant form of

⁹⁰ Rossouw & Van Vuuren op cit (n65) 112-113

⁹¹ Ibid.

⁹² www.reputationinstitute.com New York (2009) April 29.

⁹³ Carroll & Shabana op cit (n60) 89.

⁹⁴ Ibid.

⁹⁵ Ibid.

social organisation.⁹⁶ These arguments are convincing given the rate at which businesses are developing at an even faster rate than the states themselves, and it is only reasonable that such powerful businesses take a lead to assist in enhancing the welfare of societies they operate in for their own benefit and the people affected by these businesses.

The case of Hurricane Katrina illustrates this. When it hit New Orleans in August 2005, American corporation Wal-Mart had already pledged US\$20 000 000 and delivered 1500 truckloads of free goods and enough food before the Federal Government's emergency relief team had completed its assessment of the damage.⁹⁷ This kind of response serves to illustrate how powerful corporations have become, and thus being able to shape the form of society, hence the argument that they should be left to try. The mere fact of the financial power that businesses such as these hold is enough to justify a call to businesses to being socially responsible if such power is to continue. Businesses do not operate in a vacuum. They need the people, conducive environments to operate in and so it should form part of their responsibility to ensure that these resources are efficient.

It is also argued that proacting is more practical and less costly than simply reacting to social problems once they have surfaced.⁹⁸ In other words, CSR could be understood in terms of risk management, where corporations identify the risks associated with their business and decide on actions to take before any risk surfaces.⁹⁹ It is better to employ preventive methods before any risks surface as trying to remedy the risks or control them when they surface is more costly than taking measures to prevent such risks from occurring. The primary view is that demands of stakeholders present potential threats to the viability of the

⁹⁶ Naidoo op cit (n2) 9.

⁹⁷ Walmart at forefront of Hurricane Relief, accessed at <http://www.washingtonpost.com/wp-dyn/content/article/2005/09/05/AR2005090501598.html>, 6 September 2005.

⁹⁸ AB Carroll & Buccholtz Business and society: Ethics & Stakeholder management 7ed Mason, OH; South-western.

⁹⁹ Naidoo op cit (n2)226

organisation and that corporate economic interests are served by mitigating the threats through a threshold level of social or environmental performance.¹⁰⁰

Finally, it has been argued that business should engage in CSR because the public strongly supports it. Today, the public believes that besides profit making, business should be responsible to its workers, communities and other stakeholders, even if making things better for them requires companies to sacrifice some profits.¹⁰¹ This idea suggests that even if some CSR practices result in sacrificing some profit, it is still good practice, because businesses need other players besides shareholders for the business to thrive. Every stakeholder comes in with a contribution, for example shareholders and investors come in as sources of wealth for the company, and employees come in as human and intellectual capital, government and society as grantors of social licence to operate. This is an illustration of both the tangible and intangible benefits accruing from each stakeholder which ultimately leads to the longevity of business. It is important for a business to be accepted by the public because without such support, the success of the business is not viable.

Having looked at the general definitions, theories and business case arguments for CSR, it is important to look at the understood definition of the term in the South African and Australian context. A comparative analysis of the South African perception of CSR is being done with that of Australia, hence the reason why it is also important to look at the perceptions of CSR in the Australian context. This is particularly important because such understanding will assist in informing the reasons of the CSR practices in the two countries' banking sector. It is also important in informing to what extent the understanding of the term that has been discussed in various senses coincides with that perceived in these countries.

¹⁰⁰ Kurucz, E et al (2008). *The business case for corporate social responsibility*. In Crane, A., McWilliams, A., Matten, D., Moon, J. and Siegel, D. (eds), *The Oxford Handbook of Corporate Social Responsibility*. Oxford: Oxford University Press, 88

¹⁰¹ A Bernstein Too much corporate power, accessed at http://www.businessweek.com/2000/00_37/b3698001.htm, 11 September 2000.

Definition of CSR in South Africa

Around the world, the term 'CSR' is commonly used to describe the practice of good corporate citizenship.¹⁰² South Africa's apartheid past and its legacies combined, influence the mindset of its business community and the role of the state with regards to CSR. Overcoming the legacy of apartheid rule and policies via CSR in South Africa has a different connotation.¹⁰³ In his book, Lewis expounded how it is believed that the business community contributed to and benefited apartheid rule, as well as played an active, albeit behind the scenes role in the eventual demise of the apartheid regime.¹⁰⁴ Adam, in her work, explained that it was befitting that the same business community be summoned or expected to assist in righting the wrongs of the past.¹⁰⁵ It is thus not surprising that in South Africa CSR conventionally means involvement or Corporate Social Investment (CSI). Both phrases have been used interchangeably.¹⁰⁶ Fig also explained that CSR in South Africa is not only influenced by the impact of corporate activities but also significantly influenced by the country's apartheid history.¹⁰⁷ Traditionally and historically, the CSR concept in South Africa was mainly dominated by forms of corporate philanthropic responsibility during apartheid,¹⁰⁸ and the CSR initiative first came from banking, mining and oil industries in the early 1970s.¹⁰⁹ Philanthropic responsibility refers to acts of goodwill, which are voluntary, which acts were common in South Africa and were practiced by businesses. It is also worth noting that in South Africa, business generally prefers the notion Corporate Social Investment (CSI) and Corporate Citizenship to CSR, concepts that ask no questions about legacy, memory, history, justice, or moral and ethical responsibilities.¹¹⁰

¹⁰² Chris Skinner et al 'Corporate Social Responsibility In South Africa: Emerging Trends' (2003)3 Issue 3 *Society& Business Review* 240.

¹⁰³ Olufemi A Babarinde 'Bridging the economic divide in the Republic of South Africa: A CSR perspective' (2009) 51 Issue 4 *TIBR* 359.

¹⁰⁴ S Lewis *The economics of apartheid*, (1990) New York. Council for Foreign Relations Press.

¹⁰⁵ K Adam *The colour of business: Managing diversity in South Africa* (2000).

¹⁰⁶ Babarinde op cit (n103).

¹⁰⁷ D Fig 'Corporate Social and Environmental Responsibility' (2002)26 issue2 *South African Labor Bulletin*, 81.

¹⁰⁸ Ibid

¹⁰⁹ N Fourie 'CSR: Evaluating 3 South African companies' initiatives' (2005) Nelson Mandela Metropolitan University, unpublished MBA Thesis.

¹¹⁰ D Fig 'Manufacturing Amnesia: CSR in South Africa' (2005) 81 no3 *International Affairs* 601.

Another writer follows the same line and states that for the past years, South Africa's approach to CSR has been dominated by activities referred to as CSI. This term relates to charitable projects that are mostly external to the core business activity and in most cases serve the purpose of creating a positive image of the company among stakeholders.¹¹¹ After 1994 democratic elections, CSR was still seen as the involvement of companies in communities in which they operate, through the sponsorship of programmes promoting health and other socio-economic issues.¹¹² Major areas of CSR activity by South African companies are education, poverty, health and HIV/Aids, training and skills development, social and community development, environment, entrepreneurship and job creation, safety and security, food security and agriculture.¹¹³ This notion is also supported by PWC South Africa's definition of CSR as the responsibility of business in the way it helps to create a sustainable environment outside of business, with the plan of action aimed at improving the lives of local people and the area where they live.¹¹⁴

The South African approach towards CSR consists of a combination of the focus points of King 3, the Black Economic Empowerment (BEE) scorecard and sector related policies.¹¹⁵ In this light, the practices are guided by the provisions enshrined in the King III Code and relevant policies relating to good governance. Its CSR is often seen as an umbrella that contains philanthropic investments (CSI) and sustainable investments to create sustainable access to the economy.¹¹⁶ King II committee on Corporate Governance in South Africa defined CSR by describing the role of a corporate as follows:

‘A well-managed company will be aware of, and respond to social issues, placing a high priority on ethical standards. A good corporate citizen is increasingly seen as one that is non-discriminatory, non-exploitative and responsible with regard to environmental and human rights issues. A company is likely to experience indirect economic benefits such as

¹¹¹ Jana Hanke et al 'Fostering Environmental Regulation? CSR in countries with weak regulatory capacities- The case of South Africa' (2008) *SFB* 700.

¹¹² Transactions of the Centre for business law 'The role and consequences of pure corporate control and CSR in the Republic of South Africa and USA' (2010) issue 46 164.

¹¹³ Trialogue *CSI Handbook* 11ed (2008).

¹¹⁴ 'Corporate Responsibility', accessed at <http://www.pwc.co.za/en/students/corporate-responsibility.jhtml>

¹¹⁵ Jelle Postma 'Making business sustainable : CSR in South Africa' (2011) 22, accessed at http://essay.utwente.nl/61793/1/BSc_J_Postma.pdf

¹¹⁶ Ibid

improved productivity and corporate reputation by taking those factors into consideration.¹¹⁷

In other words, corporations should not separate their business activities from their social responsibilities, as responsible behaviour seeks to ensure sustainable businesses. The concept and rationale of CSR in South Africa are strongly informed by the King Code on Corporate Governance.¹¹⁸ The stakeholder inclusive theory as enshrined by King III Code makes it clear that for South Africa, businesses cannot be separated from anyone who has the capacity to affect or be affected as such by business.

To summarise the definition of CSR in South Africa, it can be said that its concept derives largely from the social differences that existed during apartheid, which resulted in huge social gaps among the different races that are found in the nation. These differences have led to a focus of CSR, preferably called CSI, which seeks to address these imbalances. It can therefore be concluded that South Africa's CSR embraces social, economic and environmental factors as advocated by the King Code on Corporate Governance, which calls for an integrated approach to doing business.¹¹⁹ Integrated approach simply refers to considering more than financial return when conducting business.

Australian definition of CSR

In Australia, the focus on CSR started from the relationships between business community and society due to the growing roles of business in the community involvement. Over the past decades, Australian studies have suggested that a large number of Australian companies practice philanthropic related CSR.¹²⁰ In 2000, a study conducted by the centre for corporate public affairs and the business council of Australia noted that almost half of Australia's large companies established CSR policies related to community involvement, social responsibility or

¹¹⁷ King II committee on Governance (2002).

¹¹⁸ Mervin E King 'CSR in South Africa', accessed at <http://csrinternational.blogspot.com/2011/02/csr-in-south-africa-guest-blog.html>.

¹¹⁹ King III Code.

¹²⁰ H Anderson et al 'CSR in Australia: A review' (2006) Corporate Law and Accountability Research Group, working paper no.4, 2.

stakeholder engagement.¹²¹ The Australian centre for CSR took the ISO 2600 definition and concluded that CSR is:

‘the responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that (i) Contributes to sustainable development, including the health and welfare of society (ii) Takes into account the expectations of stakeholders (iii) Is in compliance with applicable law and consistent with international norms of behaviour and (iv) Is integrated throughout the organisation and practiced in its relationships.’¹²²

CSR in Australia could also be defined in ISO terms, which promotes the notion of environment and stakeholder perspective. This means that CSR practices in this regard take cognition of being responsible in so far as environmental impacts of businesses in society are concerned and that businesses in conducting business should take cognisance of all stakeholders affected by business operations such as shareholders, customers, society and employees.

Rather than giving any conclusive definition of CSR, the Australian Parliamentary Joint Committee on corporations and financial services sought to examine the concept from the following standpoints: (i) considering, managing and balancing the economic, social and environmental impacts of companies’ activities, (ii) assessing and managing risks, pursuing opportunities and creating corporate value beyond the traditional core of business and (iii) taking enlightened self-interest approach to consider the legitimate interests of stakeholders.¹²³ The definition of CSR could be derived from the description of corporations’ duties. It seems to be a plausible way of defining a concept, especially given that there is not a conclusive definition, more so the definitions seem to revolve with changes over periods of time.

A survey done in Australia in 2009 also reveals that most actors understood CSR in terms of Elkington’s triple bottom line.¹²⁴ In his model, the concept emphasises three responsibilities of a company, viz, social, economic and environmental. These responsibilities are necessary to ensure economic prosperity,

¹²¹ Ibid.

¹²² ISO 2600 accessed at www.accsr.com.au/html/definecsr.html

¹²³ CSR and financial performance in the Australian context ,available at http://archive.treasury.gov.au/documents/1268/HTML/docshell.asp?URL=04_CSR.asp

¹²⁴ RA Truscott et al ‘The reputation of the CSR industry in Australia’ (2009)17 issue 2 *AMJ* 88.

environmental quality and social justice.¹²⁵ Companies should contribute to building better societies and therefore should incorporate social concerns in their strategies, be efficient in producing goods without compromising social and environmental values, and ultimately should not harm the environment in order to maximise their profits.¹²⁶ However, environmental responsibilities were perceived to be dominating social responsibilities in Australia.¹²⁷

The ultimate descriptions of the concept all point to issues around social, economic, environmental and legal dimensions. There is a general understanding of the concept, although it may be discussed in different ways. There seems to be one major difference between South Africa and Australia. While South Africa puts more emphasis on social inequalities and advances much of its CSR in that respect, in Australia the CSR concern seems to be mainly focused on environmental issues. This may be because of the different social backgrounds which have come to shape the two countries, as has been discussed in the first chapter wherein the need for social redress along racial lines have impacted heavily in South Africa as opposed to Australia where the issues of racial discrimination were not prevalent.

¹²⁵ Ibid.

¹²⁶ Ibid.

¹²⁷ Ibid.

CHAPTER THREE

Literature Review

In relation to this study of CSR practices of different banking sectors in different countries, it is intended to find out the general overview of the nature of CSR that the different banks in different countries pursue in fulfilling their social responsibilities. The study further seeks to find out whether banks practice all three types of CSR as discussed in the previous chapter, which practices cover ethical, philanthropic and environmental factors and whether there are any motivations for practising any kind of CSR from the research conducted. The results of this research will be compared with the results of the findings of the South African and Australian practices in the concluding chapter. The aim is to find out if the CSR theme is commonly held among the different banking sectors and if there are any lessons that can be drawn from each country's practices inspite of the different influencing factors such as socio-economic issues.

The banking sectors of seven different countries were selected. The research was based on the availability of information and any studies which were done in respect of the banking sectors regarding their CSR. With the exception of the European banking sector, all the other selected banking sectors are from developing and least developed countries. Because of the limited previous studies on CSR in the banking sector, the selected countries were chosen because they provided information in relation to the topic of CSR in the banking sector, which information contributes to the desired review of practices of other countries' banking sectors regarding CSR. The information used covers periods ranging from 2000 to date as more studies regarding the banking sector's CSR prevailed in this period. It is also a period in which the banks became more involved in CSR practices compared to earlier periods in the 90's. Practices reported for some banks may have evolved over time since the time of study. The study is a descriptive analysis of the respective banking sectors' practices in those countries as revealed in the various studies at the time when research was conducted.

CSR in the European Banking Sector

The study was conducted in 2006 and the sample study consisted of 17 banks coming from European countries where the sector has a high relevance.¹²⁸ The countries whose banks were sampled include Germany, United Kingdom, Switzerland, France, Netherlands, Italy, Belgium and Spain. The main focus was on commercial banks even though the sample includes two savings banks, one cooperative and a public bank. The survey asked banks to rank the importance of dimensions determining their responsibility moving from compliance with mandatory legislation to activities that go beyond mandatory legislation.¹²⁹ The conclusion from the survey is that the banks consider CSR and its related activities as a path to ensure achievement of compliance and to go beyond thus revealing the vision of a form of continuum rather than a sharp division between compliance and beyond compliance activities.¹³⁰

The most important social and environmental issues covered by the banks include indirect responsibility in social and environmental issues via customers, employees, social specific issues, environmental specific issues, financial inclusion, combatting bribery, money laundering and corruption.¹³¹ The responsibilities have been translated into corporate policies and strategies by most banks. For example, 13 banks have developed specific policies to promote gender equality and the frequencies collected from the other two issue areas of mitigating climate change and countering bribery are close to the first issue.¹³² European banks have developed company-specific codes for systematically managing social and environmental issues, but they also adhere to international codes promoted by the United Nations. 13 banks use the United Nations Global compact and 12 use the United Nations Environmental Protection statement by financial institutions on the environment and sustainable development. Almost half of the sampled banks use the equator principles which tackle indirect environmental responsibilities. Eight

¹²⁸ Federica Vigano et al 'CSR in the European Banking Sector: Evidence from a sector survey' (2014) accessed at http://www.rare-eu.net/fileadmin/user_upload/internal/project_documents/Sector_Survey/RARE_CSR_Survey_-_Banking_Sector.pdf

¹²⁹ Ibid, 11.

¹³⁰ Ibid, 12.

¹³¹ Ibid, 15.

¹³² Ibid, 18.

banks have adopted the Financial Action Task Force (FATF) on money laundering and five banks use the Wolfsberg principles. These instruments are related to money laundering which is aligned to the countering bribery issue areas.¹³³ The survey showed that CSR is perceived by banks as a path leading from commitment stage towards substantive and visible results both internally to the bank and externally in the societal and environmental realms.¹³⁴

CSR in Banks of Bangladesh

In a case study done by Wise and Ali in 2009 of some three commercial banks in Bangladesh, they looked at Agrani bank, National Credit and Commercial Bank Limited (NCC) and Trust bank limited.¹³⁵ These banks were chosen from among the commercial banks in Bangladesh as a case study, but they are not the leading banks in that country. The latest available reports were used to determine the respective banks' involvement in CSR issues. For Agrani bank, the 2006 report was used as reference. In its 2006 report, it includes a separate section entitled 'corporate leadership and social responsibility'. The report states inter-alia

'...As part of our CSR, we contribute greatly to the nourishment of the country's arts, crafts, culture and sports. We share all sorts of values and sentiments, irrespective of caste, creed or colour. Moreover we uphold the concept of avoiding gender bias. We have established for women a fair and just share in matters of delegated power, promotion and placement, commensurate with their male counterpart...'¹³⁶

Content analysis was done to search for corroborating disclosures. The bank reports that even hill tribes (disadvantaged groups) and ethnic minorities have access to its institutional loan facilities.¹³⁷ Its customers are engaged in trade, commerce, industry and technology and include major business leaders, small and medium traders, marginal farmers, destitute women and unemployed youths. It has

¹³³ Ibid, 22.

¹³⁴ Ibid, 46.

¹³⁵ Victoria Wise et al 'Corporate Governance and CSR in Bangladesh with special reference to commercial banks' (2009).

¹³⁶ Agrani bank Annual Report 2006, 19-20.

¹³⁷ Ibid, 14.

assisted in bringing a wide spectrum of people into mainstream banking economy. Under a section of employee relations, the bank reveals that it has been providing financial assistance to distressed employees. For example during 2006, a sum of 3.22 million Bangladesh Taka (Tk) (equivalent of R483 558.89) was given to employees concerned and their spouses for medical treatment.¹³⁸ A total number of 356 children of the employees were granted scholarships in recognition of their outstanding results in Staff Selection Committee (SSC) and High School Certificate (HSC) examinations.

The bank has been active in supporting the small to medium enterprise (SME) sectors of the economy for many years and provides disclosures about its individual collaborative efforts in this area. It is also active in supporting Bangladesh's agricultural sector and reports its activities in the 2006 annual reports,

' ... Since 1977, it started accommodating millions of rural poor with the mainstream development activities in areas of livestock, fishery, poultry, and nursery as well as many off-farm projects and their likes in line with the government policies. Poverty alleviation through income generating activities is one of the strategic priorities that the bank has kept pursuing to make the institutional help available to marginal farmers, small entrepreneurs, distressed and destitute women as well as unemployed youths...'¹³⁹

In the case of this bank CSR disclosures were clustered around the issues of community involvement and responsiveness, economic support for the disadvantaged sectors specifically agriculture and the small and medium enterprise sector including micro financing and support for working women. Environmental matters and issues related to sustainability were not mentioned. Issues related to child labour, an area where Bangladesh has experienced criticism at an international level were not reported.¹⁴⁰ This is the same case with NCC Bank Limited, where CSR disclosures focused on supporting economically disadvantaged sectors, specifically agriculture and small business. The bank is a strong supporter of

¹³⁸ Ibid, 19.

¹³⁹ Ibid, 24.

¹⁴⁰ Wise et al op cit (n135).

disadvantaged constituents within its national community with a strong focus on programmes providing assistance for destitute and underprivileged people. There is no mention in the reports of environmental or sustainability issues, or of matters relating to the financing of industries utilising child labour.¹⁴¹

The NCC Bank in its annual report of 2007 outlined its corporate vision as including 'serving the nation as a progressive and socially responsible financial institution by bringing credit and commerce together for profit and sustainable growth, and its mission is to contribute to agriculture, industry and socio-economic development of the country...'¹⁴² Like Agrani bank, NCC includes in its annual report separate sections addressing CSR, SME financing and Agricultural financing. Under CSR the bank discloses its donations to various charities, sporting and educational organisations. It also provides details of educational scholarships it has provided to talented but distressed students. Financial support was given to children of employees who obtained a certain grade requirement in their secondary and high school (SSC and HSC) examinations of 2007 to encourage them and others. It distributed books to educational institutions of remote areas of the country on occasion and educational material to poor students resident in Dahagram and Angorpata areas.¹⁴³ The bank discloses that it has diversified into the SMEs and Agro-sector on a priority basis. It extended credit facility to fisheries projects as part of the agro-financing and has a separate wing to meet the demands of the SMEs.¹⁴⁴ The bank has an NCC foundation which makes contributions to destitute groups within the society. The Annual report of Trust Bank Ltd of 2006 reveals that the bank is devoid of any CSR disclosures.

Evidence of this study shows that reporting of CSR practices in Bangladesh is still immature, given that the latest reports are those in the period from 2006 to 2007. It may be that there are no reporting guidelines or requirements in Bangladesh for CSR reporting, which may be detrimental to the institutions in that failure to report on these issues may be perceived as absence of such practices by stakeholders and investors alike. However, to make a conclusion as a result of the

¹⁴¹ Ibid.

¹⁴² National Credit and Commerce Bank Ltd Bangladesh, 2007 Annual Report, 3.

¹⁴³ Ibid, 30.

¹⁴⁴ Ibid, 12.

research findings of these three commercial banks only in Bangladesh would be misleading as there are many commercial banks in Bangladesh, whose practices cannot be represented by such a small research conducted. It may also be that even these banks' reporting have improved given that this research was conducted in 2009. The general trend of these banks in Bangladesh shows that banks do focus their CSR around issues of education, financial inclusion for the marginalised groups, environmental issues, charity donations and support for small and medium enterprises. It is also notable that even though these banks operate in the same country, their drive for CSR is motivated by different perspectives, particularly with Islamic banks having their foundation for their CSR spend based on their religion.

CSR in Indian Banking Industry

The banks in India are one of the major stakeholders in the finance sector. Through their huge network of branches and profit the banks are one of the major corporates in India.¹⁴⁵ Banks can have wide socio-economic impact in the society through their financial products and services. Considering this the Reserve Bank of India (RBI) issued guidelines to banks in 2007 regarding CSR, sustainable development and non-financial reporting and advised that the banks should frame their policies on CSR.¹⁴⁶ RBI accepted the definition of CSR as a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with stakeholders on a voluntary basis.¹⁴⁷ The new Indian companies act now imposes compulsory CSR obligations upon Indian companies and foreign companies operating in India. The obligations mainly come in the form of mandatory amounts companies must contribute to remediating social problems.¹⁴⁸ The mandatory requirements became effective in 2014.

Research conducted by Narwal in 2007 of 33 Indian banks revealed that CSR is also known as community service banking (CSB) in the banking industry. Based on the research conducted in respect of 33 Indian banks, the concept of CSB, earlier known as innovative banking was first introduced by the banks in 1973 with a view

¹⁴⁵ Anjali Kukarni CSR in Indian banking sector: A critical analysis in *Implementing CSR – Indian perspectives* (2014) 111.

¹⁴⁶ Ibid, 112.

¹⁴⁷ Lisbon summit, 2000.

¹⁴⁸ Indian Companies Act 2013.

to assisting the identified target group belonging to the weaker and downtrodden sections of the society both under its banking and non-banking activities.¹⁴⁹ The banks were among the first to accept as part of their corporate philosophy, that human and financial resources at their command should be mobilised in discharging their social role.¹⁵⁰ The two dimensions of their social role are i) The bank as a corporate citizen owes a solemn duty to the less fortunate and underprivileged members of the society, from which it derives benefits and ii) Staff members are expected to contribute by understanding the urges and aspirations of the public around them and by trying to work out measures for removing in an apolitical fashion, indisputable social and developmental acunae.¹⁵¹

In 1980, Singh et al compared the expected and perceived behaviour of corporate community in India and found that the actions of the corporates were inappropriate to the solution of the social problem.¹⁵² At that time the corporate community in India had been under severe criticism for its indifferent behaviour towards the problem of the common man. Corporate actions were divided into three categories, namely pure profit maximisation, calculative and socially responsible and concluded that corporate actions were perceived to be predominantly pure profit maximisation followed by calculative behaviour.¹⁵³

The findings of the study revealed that banks in India are actively involved in the women development by organising and sponsoring special programmes for them. To promote education, activities like educational loans and scholarships are undertaken by the banks. For upliftment of the underprivileged sections of the society, banks mostly at subsidised rates are also initiating special loans. Other common social activities are blood donation, camp and tree plantation for the protection of the environment. Banks are equally concerned with their existing customers by giving vocational training and national patriotism by contribution to relief funds.¹⁵⁴ Irrespective of their location, banks are engaged in almost similar

¹⁴⁹ Mahabir Narwal 'CSR initiatives of Indian Banking Industry' (2007)3 issue 4 Social responsibility Journal 49-50.

¹⁵⁰ Ibid.

¹⁵¹ Ibid.

¹⁵² P Singh et al 'CSR: Realities and expectations' (1980)5 no.2, Vikalpa, 117-30.

¹⁵³ Ibid.

¹⁵⁴ Narwal op cit (n149), 52.

types of social activities. Most of the banks have a separate department or cell (social banking cell) to undertake CSR activities. Banks are discharging CSR in expectation of good results. It has been noticed that overall performance of banks improved by such activities as it creates good image among customers. 66.7% of the banks feel that CSR helps in building social image of the banks. 39.4% feel that it resulted in the expansion of their business. It may also lead to competitive advantage over other banks.¹⁵⁵ These are motivations for these banks' CSR practice.

Another study with regards to CSR practices in the banking sector in India was conducted by Chaudhry et al in 2012. To highlight the role of banks in CSR the Reserve Bank of India circulated a notice on 20 December 2007 for all the scheduled commercial banks, with the title 'CSR, Social development and non-financial reporting- Role of banks'.¹⁵⁶ Briefing about the CSR programme to other member commercial banks Reserve Bank of India (RBI) followed many international initiatives to highlight the importance of the notice, like United Nations environment programme finance initiative (UNEPFI), Global reporting initiatives (GRI), International Finance Corporation, the Equator principles and Declaration on financial institutions. RBI also talked about other important and urgent issues regarding global warming and the extent of the problem, the economics of climate change, the happy planet index, the Kyoto protocol and requested that same be implemented earnestly and sincerely. However in the context of Indian banking sector, very little systemic documentation of CSR initiatives is available so far.¹⁵⁷

The study was based on a case study method. Twelve banking and financial institutions were selected under stratified random sampling method from the vast network of banking and financial institutions of the country. The study covered the period from 2007 to 2010. The overall finding from the case study indicated that all the selected institutions of the country are directly engaged in social banking and developing banking approach. As per the instruction of the RBI, the majority of its member commercial banks started new programmes on social and economic

¹⁵⁵ Ibid, 53.

¹⁵⁶ Suman K Chaudhry et al 'Practices of CSR in banking sector in India- An assessment' (2012)4 Research Journal of economics, Business& ICT, 78.

¹⁵⁷ Ibid.

welfare of the masses keeping parity with the guidelines.¹⁵⁸ The findings revealed that banks like (PNB), SBI, Bank of Baroda (BOB), and Bank of India (BOI) which formed part of the study publish a separate segment on CSR in their annual reports. PNB for example published a report on CSR strategy but it was not drafted according to internationally accepted benchmark. The survey also revealed that the key areas of CSR followed by the banks include heritage preservation, environmental issues, community development, educational support, rural development, vocational training to the unemployed, corporate volunteering and women empowerment.¹⁵⁹

CSR in Russian Banking Industry

Prosvirkina researched on the CSR practices in Russia in her work of 2012. The main source of her information for collection of data were the websites of the central bank of the Russian federation, Thomas Reuters and financial statements of banks. The data about CSR in the Russian banking industry was collected based on the analysis of social reports, codes of ethics and official websites of banks.¹⁶⁰ An analysis of the data available in social reports, codes of ethics and websites of banks demonstrate that CSR is a popular topic among top banks in Russia. The majority of the top banks are involved in CSR activities and arrange at least one social project each year. The following table represents the data on the banks which arrange different numbers of CSR projects:¹⁶¹

Number of CSR Projects	Number of banks
No projects	9 (20.45%)
Less than 2	7 (15.91%)
2-5 projects	19 (43.18%)
5-10 projects	3(6.82%)
More than 10	6 (13.64%)

¹⁵⁸ Ibid, 79.

¹⁵⁹ Ibid, 80.

¹⁶⁰ Elena Prosvirkina 'Corporate social responsibility in the Russian banking industry' (2012)2 no.4 IJMCS, 66-72.

¹⁶¹ Ibid, 69.

The sample consists of 50 banks.¹⁶² The table shows that a lot of banks manage from two to five projects in CSR each year and only 13.64% of the sample are involved in more than 10 projects. Among them are the largest banks, including Sberbank and VTB. Their attention to CSR and such huge number of projects in this field can be explained by the fact that big and financially stable banks can allow themselves to invest much money in social activity.¹⁶³ Research showed that the most popular CSR projects are sponsorship of sport and cultural events, financial support of orphan children and support of veterans and disabled people.¹⁶⁴ Taking into account that Russian banking industry appeared in the 1990s, the majority of Russian banks are younger than international banks of the developed countries operating in Russia. Due to this fact it can be predicted that international banks are more socially responsible than the local Russian banks.¹⁶⁵ What this entails is that there is a difference in the level of CSR practices between old and new banks, which may be attributed to the fact that the old international banks operating in Russia have long been introduced to CSR practices from their home backgrounds whilst the new Russian banks are still trying to integrate the notion in their businesses. The number of the projects carried out by the different banks may be illustrative of the fact.

CSR in Malaysia

Zakaria and Dewa conducted a research on six Malaysian financial institutions pertaining to their practices of CSR in 2010. The population of the study represented six banks listed on the Kuala Lumpur stock exchange (KLSE) and the study used content analysis as a technique to identify and describe patterns in the annual reports and websites specified social responsibility reports for the identified banking companies.¹⁶⁶ The banks were used in this study as representing among the successful local banks in Malaysia.¹⁶⁷ During the last 5 years from 2004 to 2008, CSR

¹⁶² Ibid.

¹⁶³ Ibid.

¹⁶⁴ Ibid, 71.

¹⁶⁵ Ibid.

¹⁶⁶ Sabarudini Zakaria et al 'CSR reporting in six Malaysian financial institutions' (2010) Oxford business and economics conference program, 10.

¹⁶⁷ Ibid, 11.

activities were reported in their respective annual reports.¹⁶⁸ Of the sampled banks, only Public Bank and Ambank Group have been regularly reporting on their CSR activities compared to other banks. The following tables illustrate the periods when CSR was reported by the sampled banks and the particular activities each banks undertook. The period of reporting for each bank is indicated by a tick in the first table and the banks' involvement in the activities is noted with an X in the second table.

CSR Reported In Annual Reports 2004-2008

Bank	2004	2005	2006	2007	2008
Maybank	x	x	x	✓	✓
Public Bank	✓	✓	✓	✓	✓
CIMB Bank	✓	✓	x	✓	x
RHB Bank	x	x	x	x	x
Ambank Group	✓	✓	✓	✓	✓
Hong Leong	x	x	x	✓	✓

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Banks and Their Involvement in CSR¹⁷⁰

Bank	Community	Marketplace	Environment	Employee	Social
Maybank	x	x	x	x	x
Public Bank	x	x	x	x	
CIMB Bank	x	x	x	x	
RHB Bank	x	x	x		
Ambank	x	x	x		
Hongleong	x	x	x	x	x

¹⁶⁸ Ibid, 12.

¹⁶⁹ Ibid.

¹⁷⁰ Ibid, 14.

Public Bank

Out of the six banks, Public Bank (PB) is the most active in reporting its CSR activities. In its opening page of its CSR report, the bank provides a statement 'caring for community...' which reads on as:

'CSR is often viewed as business ethics, environmental sustainability or corporate philanthropy. CSR is essentially about how a business takes account of its economic, environmental and social impact arising from how it operates and a company's performance should be measured not only by the economic values it has created but also its impact on society and the environment. PB has already subscribed to the notion of conducting its business in an ethically, socially and environmentally sustainable manner which is encapsulated in its long held corporate philosophy which states that: For its customers, For its shareholders, For its employees, For the community it serves'.¹⁷¹

In community services, Public Bank made a total contribution of 10 million Malaysian ringgit (Rm) (equivalent of R33 295 129.86) to the Universiti Tunku Abdul Rahman Education Fund as part of the group's continuing support of education for all Malaysians. As a team, individual branches also contributed to schools in their vicinity for school building funds, reward programmes for excellent examination results and other activities as part of their community commitment. In healthcare, the bank donated RM 50 000 (Equivalent of R166 351.39) to one dialysis association in response to their appeal to help the increasing number of kidney failure patients. While in environment care, the Public Bank together with its partners the Malaysian nature society and the ministry of natural resources and environment has initiated a tree planting project to prevent adverse climate change as a result of continued deforestation.¹⁷²

CIMB

Through its slogan 'Empowering communities, enriching lives' and a quote from the CSR report in their annual reports by the CEO showing their commitment to CSR: 'At CIMB our CSR initiatives are focussed on giving back to the people we

¹⁷¹ Ibid, 15.

¹⁷² Ibid, 16.

serve...,' the bank focusses on community projects as initiated by its relevant stakeholders who include customers. For example CIMB community link is a key CSR initiative of the group. The unique, sustainable and ongoing programme is driven by CIMB bank branches. It empowers customers to propose initiatives relevant to the community to the branches serving them. Once adopted, a pre-determined sum is allocated by the bank to fund the cause. The group sponsors events and supports social causes locally and regionally and these include the development of squash and performing arts and the hosting of educational youth camps and workshops amongst others.¹⁷³ On environmental issues CIMB jointly organised an environmental awareness project with the global environment, which programme aimed to raise awareness among staff and children on the importance of environmental conservation.¹⁷⁴

Ambank

Its opening report states that:

' The Embanks group continues to take pride in giving back to the various societies and communities in which it operates, via a large number of transparent, meaningful and ethical actions. More than ever, the group's sustainability and success is linked to the marketplace, the community at large, the group's workforce and the environment.¹⁷⁵

For example in 2005 the bank extended assistance to the victims of the tsunami tragedy which saw the death of more than 150 000 people in the region. The chairman of the bank presented a cheque for RM250 000 (equivalent to R831 756.96) to the Malaysian Tsunami Disaster Fund, a collaboration with one local newspaper. The bank also made a contribution of 15 000 blankets worth RM330 000 (equivalent of R1 100 681.33) for the Aceh tsunami victims.¹⁷⁶ This forms an illustration of how the bank gets involved in the communities by responding to the societies' needs like in disaster situations. The bank is involved in various community projects whenever the need arises.

¹⁷³ Ibid.

¹⁷⁴ Ibid, 17.

¹⁷⁵ Ibid.

¹⁷⁶ Ibid, 18.

Malayan Bank

With their theme '[g]rowing with responsibility as the foundation for our CSR programmes' the bank committed over RM13 million (equivalent to R43 251 361.66) for its CSR programmes which were focused on the key areas of educational development, welfare, medical causes, sports, arts, culture and environmental conservation. Its group's scholarship education and training award schemes are one example of a community programme for which a significant amount is allocated annually. It also continued to contribute towards the protection of endangered species. Since Maybank has a branch in the Philippines, they also contributed towards a reforestation project there.¹⁷⁷ On health matters in 2007, through funds they have created, the bank contributed equipment comprising a diagnostic ultrasound machine, biosafety cabinet and intensive portable incubators to two hospitals in the state of Terengganu. It was also the principal sponsor of the campaign 'our vision for the nation' with a contribution of RM350 000 (equivalent of R1 165 329.55). The campaign gathered at least 1 million vision statements from children nationwide indicating their aspirations for the nation.¹⁷⁸

RHB Bank

One of the major CSR achievements by this bank during the period of 2007 to 2008 was the successful expansion of the group's 'missing children-recruiting families' programme. The group placed advertisements for missing children in major dailies for the purpose of publicity of the missing children as well as placing pictures of any child reported missing on all their ATM machines nationwide. In supporting effort by government to provide quality English education in order to prepare students globally, the group became the presenting sponsor of the Edusmith National essay writing competition that helps cultivate a love for reading and writing among the youth and promoting educational excellence.¹⁷⁹

Hong Leong Bank

With their CSR statement of 'helping customers make the best decision by acting in their best interests', the bank through its Hong Leong foundation conducts

¹⁷⁷ Ibid, 18.

¹⁷⁸ Ibid, 19.

¹⁷⁹ Ibid, 20.

most of its philanthropic activities with education and social welfare as its key thrusts. The foundation's activities are funded by contributions of the group. It gives scholarships to bright and underprivileged Malaysian students with the opportunity for higher education. The awards do not carry any repayment requirements, nor are the recipients bonded to serve the group upon graduation.¹⁸⁰ The group practices environmental preservation and maintains high standards of occupational safety and health management practices as part of its commitment to employees and the society as a whole.¹⁸¹

Content analysis of the CSR reports revealed that most banks disclosed information related to products and consumers, employees and community involvement. The community category seems to be the area where most banks concentrate their efforts when reporting their philanthropic activities being a highly publicised activity. CSR disclosures in Malaysia are ad-hoc, general and self-laudatory in nature.¹⁸² There is not much difference in terms of the nature and type of CSR disclosures made across the banking sector. The only difference is in the form of implementation.¹⁸³ The focus areas of CSR activities across the banks in the country show that education, health, environment, arts and culture and community partnerships are some of the most considered efforts of the Malaysian banking sector. The periods for which the study was conducted also indicates that the banks were actually very much involved in CSR issues, given the huge amounts that they were channelling towards the different initiatives as illustrated by some of the examples included. This alone is indicative of the fact that these banks may be doing even more at present day in terms of CSR and that they have really embraced the notion of CSR in their business as part of their responsibilities to the society at large.

CSR in the Jordanian Banks

The banking sector is one of the most important sectors in Jordan, contributing approximately 11.6 per cent of the gross domestic product (GDP) in Jordan in 2011. There are currently 26 banks in Jordan, 16 of which are national

¹⁸⁰ Ibid.

¹⁸¹ Ibid.

¹⁸² Ibid, 21.

¹⁸³ Ibid, 24.

banks, according to the research conducted in 2014.¹⁸⁴ There are voluntary guidelines for CSR in the financial sector commissioned by the Union of Arab Banks to further Corporate Responsibility practice among banks within the region. The level of practice of corporate responsibility and communication in Jordanian banks is naturally varied. The banks can be categorised into four main groups according to their level of practice and accordingly their corporate responsibility communication as follows: (a) Philanthropic practice: Most common form of corporate responsibility practice in Jordanian banks is philanthropic giving in the form of donations to NGOs. Some banks actively report their practices with dedicated sections on the website and their annual reports. Other banks do not communicate their practice or report on it except for the incidental press releases.¹⁸⁵ (b) Semi strategic practice: Jordan Islamic Bank for finance and investment is in this category due to the fact that they have a somewhat strategic direction which they follow with general defined focus areas in addition to the fact that they produce a corporate responsibility report, although it does not follow any specified guidelines¹⁸⁶ (c) Strategic Corporate Responsibility practice: Banks in this category produce Global Reporting Initiative (GRI) corporate responsibility reports, have teams dedicated for corporate responsibility with clear corporate responsibility policy and strategy.¹⁸⁷

The foreign banks operating in Jordan are very active in corporate responsibility and sustainability globally. However their corporate responsibility practice locally is lacking. Banks such as HSBC, Standard Chartered and Citibank which are known for their active corporate responsibility agendas globally have minimum contributions to corporate responsibility within Jordan.¹⁸⁸ This alone will leave questions as to whether banks should be selective of their CSR practices simply because they are not on their home grounds. Corporate responsibility should not, in the view of the writer be limited by geographical location.

¹⁸⁴ CSR in the banking sector: A comparative study on the practice of Corporate Responsibility among banks in Jordan, accessed at http://www.csrwatchjordan.com/uploads/1/5/6/2/15623468/corporate_responsibility_in_the_banking_sector_2014.pdf , 4.

¹⁸⁵ Ibid, 10.

¹⁸⁶ Ibid.

¹⁸⁷ Ibid.

¹⁸⁸ Ibid, 11.

CSR in Nepal

A 2013 research conducted by Upadhyay-Dhungel on CSR reporting practices by the banking sector was the first study as not a single paper was written relating to CSR activity in the banking sector of Nepal. It focused on ten commercial banks and four development banks selected randomly.¹⁸⁹ The commercial banks were selected from a list of members of Nepal Bankers Association in 2011, whilst the development banks were randomly selected from the list in the website of Nepal Raster Bank. Data was collected from the websites of the banks, other published material, various books, magazines and journals. It is important to note that CSR is voluntary in Nepal and therefore the banks which choose to disclose their activities do so on a voluntary basis.¹⁹⁰

Seven of the sampled commercial banks reported their CSR activities, with six of these being private commercial banks. Out of the four development banks, three have reported at least a single case of CSR activities on their respective websites.¹⁹¹ Analysis of the data showed that most of the reported CSR events look like charity and donation. Most banks do not continue the same support every year. They do not have proper planning and budget for CSR. The motivation behind these activities is mostly humanitarian, resulting from the feeling that it is just the right thing to do.

Major areas of intervention include education and training and welfare of underprivileged groups. More than 40% of the banks in Nepal intervene in arts, heritage and culture as these are highly valued by the Nepalese people, hence the reason why the sector has gained priority.¹⁹² Private Banks are struggling to have their branches in the rural areas, whereas the public banks have reached out to the rural areas. Development banks have their CSR priorities on environment, women and children development, which is relatively higher than the commercial banks.¹⁹³ Public banks have a nil report on CSR on their websites, with the exception of one

¹⁸⁹ Kshitiz Upadhyay-Dhungel 'CSR reporting practices in the banking sector of Nepal' (2013)3 no.1 *Banking Journal*, 68.

¹⁹⁰ Ibid, 69.

¹⁹¹ Ibid, 70.

¹⁹² Ibid.

¹⁹³ Ibid, 72.

bank which has mentioned a few lines on CSR.¹⁹⁴ However this does not mean that they do not practice CSR, but the problem lies with inadequate norms regarding CSR reporting systems.¹⁹⁵

Conclusion

The above research is important in informing that CSR is an accepted concept in the banking sector and shows the general nature of CSR practices. Many banks are actively involved in one kind or the other of CSR, be it philanthropic, altruistic or strategic CSR. Most banking sectors are embracing all the three kinds of CSR as evidenced by examples of their specific CSR activities. The nature of CSR activities across all the banking sectors include environmental issues, education, community involvement, employee welfare, arts and culture in both the developing and developed countries researched on. The difference lies in the fact that for developed countries like those in the European banking sector, major focus is on climate change and environment while the developing countries' efforts indicate that they are still focusing on improving the livelihoods of the communities in which they operate through social investment in education and health at most.

The level of reporting is quite advanced in the developed countries with the developing countries still trying to improve their reporting on their CSR. The nature of CSR practices followed includes mandatory and voluntary CSR. There are variations in the way CSR is implemented by the different banking sectors in different countries although some banking sectors are trying to align themselves with the international standards of reporting that have been implemented as guidelines for CSR reporting for corporates, which guidelines are recognised as internationally acceptable. For example integrated reporting for corporates whereby corporates report on both their financial and non-financial issues in one report. Although it would be ideal to have all banking sectors in different countries following the same guidelines for reporting their CSR initiatives, the challenge still lies in the definition of what exactly should be reported in what are called sustainability reports or integrated reports. The material issues at the heart of each banking sector in each different country are not always the same, therefore what

¹⁹⁴ Ibid, 75.

¹⁹⁵ Ibid.

determines materiality reporting is always different. The technology for such reporting itself is still a challenge for many countries and is costly which may be undesirable for some to even consider, especially the developing countries.

CHAPTER FOUR

CSR in the Big Four Banks In South Africa and Australia

CSR In The Big Four South African Banks

The purpose of this chapter is to analyse as far as possible, the CSR practices prevalent among the top four banks in South Africa and Australia, regard being paid to the banks' integrated reports and other reference points giving information on CSR practices in these banks. In conclusion, it is intended to have a comparative analysis of South Africa and Australia's CSR practices to determine how far their practices compare, one country being a developed and another being a developing one.

Corporate South Africa derives significant values from social responsibility efforts and in a variety of different ways. These efforts help bolster corporate image, make companies attractive places to work and they help companies to manage regulatory compliance requirements inter alia.¹⁹⁶ In a research conducted by Tshikululu, companies revealed that they are mostly driven by values which is the biggest driver of their social responsibility initiative. Compliance with regulations is another factor motivating CSI for example Broad Based Black Economic Scorecard (BBBE), pressure from communities and shareholders.¹⁹⁷ Social responsibility is an increasingly important part of companies' value proposition to current and prospective employees.¹⁹⁸ Crucially, respondents report significant and increasing market based pressures and incentives to be seen as socially responsible, from consumers, employees and even shareholders. Being seen as positive and proactive contributors to society appears to be becoming the de facto standard in South Africa, particularly in consumer- facing sectors. Thus companies are recognising that their social responsibility efforts strengthen their brand and

¹⁹⁶ Tracey W Henry et al Value and values-what motivates corporate citizenship in South Africa? Accessed at <http://www.tshikululu.org.za/uploads/files/Value and Values Research doc.pdf>, 5.

¹⁹⁷ Ibid, 13-14.

¹⁹⁸ Ibid, 16.

reputation and earn them favour with sought after young employees.¹⁹⁹ The motives are centred on issues of compliance, reputation, and society.

A snapshot of the CSR programmes in South Africa revealed a number of things. The respondents were asked what they do with their CSI and a number of responses were given. 87.8% stated that they provide infrastructure facilities to underserved communities, whilst 92.7% donate staff time and expertise to specific causes or organisations, as well as donate funds to Non-governmental organisations (NGO) or other development activities.²⁰⁰ 85.4% provide bursaries, scholarships or university chairs, while 61% and 43.9% of the respondents stated that they use their CSI spending on safeguarding natural resources and support advocacy or lobbying. 82.5% of the respondents stated that social responsibility is part of their business strategy while 78.9% and 91.4% of the respondents stated that CSI initiatives form an integral part of their business planning process and have clear policies or written statements about CSR or CSI. This means that respondents have policies in place regarding their CSI which direct their operations in this respect. 97.2% of the respondents have an individual or team responsible for CSR or CSI initiatives.²⁰¹ The information presented on South African corporations generally is also representative of the big four banks.

There are regulatory requirements affecting the South African corporates' CSI. The South African Companies Act of 2008 holds directors responsible for poor public disclosure of information.²⁰² The 2004 BBBE Empowerment Act requires disclosure on corporate initiatives regarding black empowerment. The 2012 Johannesburg Stock Exchange has announced that more than 70% of listed companies fulfil the base requirements to become constituents of its 2012 socially responsible index.²⁰³ The 2009 King III Code requires integrated reporting and third party assurance. The 2004 Johannesburg stock Exchange launched its SRI index

¹⁹⁹ Ibid, 20.

²⁰⁰ Ibid, 22.

²⁰¹ Ibid.

²⁰² <http://hausercenter.org/iri/about/global-csr-disclosure-requirements>.

²⁰³ Ibid.

composed of the top performing companies on the exchange with regards to environmental, social and governance issues.²⁰⁴

These regulatory requirements are very influential in CSI initiatives for South African corporates as they do not only indicate compliance on the part of the companies, but complying with these requirements is an indication of the companies' willingness to contribute to the well-being of the society, starting with complying with both compulsory and voluntary regulation. As a result of these regulatory requirements, corporates also face the risk of questions from different stakeholders in the event that they fail to incorporate them in their strategies. Stakeholders demand answers to corporates' operations and therefore it means that in the event that a corporate decides to deviate from the recommended or mandatory requirements believed to uphold corporate responsibility, they should have good explanations for such deviation, which case is not favourable in most cases. The resultant effect is that corporates strive to align their strategies with the recommendations of the codes of good governance and the evolving regulatory laws affecting their responsibilities. Their efforts are reported in their integrated reports where they outline what they are specifically doing in terms of corporate responsibility, which is a recommendation of the King III code that corporates disclose their non-financial aspects of the business. Each of the big four banks' CSI initiatives, being Standard Bank, Absa (now Barclays Group Africa), FirstRand and Nedbank group will be analysed below. They are dealt with in accordance with their market share in South Africa from the bank with the biggest market share to the last one.

Standard Bank South Africa

CSI spend breakdown for Standard Bank South Africa (2013)

Section	% spend
Education	63.9%
Health and wellness	12.3%
Arts& cultural development	2.3%
Corporate philanthropy	10.4%

²⁰⁴ Ibid.

Humanitarian relief	0.9%
Operating costs	10.2%

The breakdown is an illustration of the focus points of Standard Bank South Africa's CSI. Issues of environment are not included in the CSI spend but nevertheless this does not mean that the group is not addressing the issues. However it would be advisable for the group to clearly indicate where environmental concerns are addressed if they do not form part of the CSI spend as it is indicated that the group has environmental issues at heart as well, as evidenced for example in its investment in renewable energy. The discussion is an illustration as well of what the bank is doing generally in terms of its CSI and that its investment revolves around the same issues each year. The group's commitment to CSI is indicated by its one per cent funding from its annual collection of each year. This means that for the group, CSI is there to stay, which is encouraging to see that corporates make such sacrifices to see social investments thriving.

Its initiatives are aimed at achieving and sustaining positive social development of communities they operate in. Through various community interventions, their effective community reinvestment will further reinforce their values and achieve business objectives. Its CSI expenditure is funded by an annual collection of not less than one per cent of previous year's after tax income from its South African operations.²⁰⁵ The 2013 sustainability report showed that Standard Bank's CSI focus is mainly on education, health and wellness, arts and culture development, corporate philanthropy including employee matching and humanitarian relief.²⁰⁶

In 2012, Standard Bank's CSI spend in South Africa amounted to R63.9 million of which R42 million was spent on education. In 2013 CSI spend in South Africa amounted to R57.6 million and R37 million was invested in education, reaching approximately 120 000 beneficiaries.²⁰⁷ Supporting education provides

²⁰⁵ Standard Bank corporate social investment, accessed at <http://www.standardbank.com/CorporateSocialInvestment.aspx>

²⁰⁶ Standard Bank at <http://sustainability.standardbank.com/wp-content/uploads/2014/04/2013-Sustainability-Report-final.pdf>, 42.

²⁰⁷ Ibid, 40.

Standard Bank with a number of opportunities including the end goal of an improved economic climate which will positively impact the business and the possibility of recruiting the scholarship students they support into the bank on graduation. The bank also provides banking solutions to educational institutions and is the transactional banker for 11 universities.

The bank's commitment to arts and culture in South Africa is wide ranging. The main focus areas include Standard Bank Gallery which showcases a variety of South African and international artists on an ongoing basis. Its association with and involvement in the three key jazz festivals held in Johannesburg, Cape Town and Grahamstown not only contribute to the growth of the musical genre in South Africa but it also assists in attracting many jazz enthusiasts, at the same time positioning South African musicians among credible international line-ups.²⁰⁸ Sponsorships are a valuable part of Standard Group's social responsibility and marketing communication strategy. They are important in building brand and creating relevance in markets where Standard Bank group operates (strategic CSR) and provide platforms for them to engage with their customers. Development is key to deciding on what sponsorships they undertake as the bank considers the value added to each contribution they make towards any initiative. Currently, the bank looks at initiatives that support community upliftment, the arts and sport. Sponsorships vary from country to country and often decided by teams in each country in which they operate as relevant to their marketing objectives.²⁰⁹

Through programmes such as Mutale, market access development programme and product cluster development programme assist smallholder farmers to gain access to local, regional and international markets. These programmes offer farmers skills training in areas such as business management, marketing, and finance and costing as well as people management.²¹⁰ These examples show a commitment on the part of the group to address the communities' needs through uplifting those who have the potential. These

²⁰⁸ Standard bank CSI op cit (n12).

²⁰⁹ Ibid.

²¹⁰ Ibid.

examples are an illustration of development issues which the bank considers before sponsoring any initiative.

Environmental issues are at the heart of Standard Bank. For example, the group invests significantly in renewable energy products. It underwrote R6.4 billion towards five solar and wind projects with an installed renewable energy capacity of 353 megawatts in the second phase of government's renewable energy Independent power producer procurement programme.²¹¹ This is indicative of the fact that the group is aware that although its direct impact is minimal, it has huge impact indirectly through the businesses they sponsor which may be involved directly with the environment like mining companies. As such banks are cautious in respect of the policies they put in place to ensure that those businesses they deal with have policies in place regarding their environmental responsibilities.

Barclays Africa Group (Formerly Absa)

Barclays Africa Group's Corporate Social Investment (CSI) is aimed at facilitating and creating platforms for contributing to nation-building by delivering on the Group's mandate towards social upliftment while enhancing business relevance and sustainability.²¹² Its CSI is viewed as a business imperative and a contribution to the group's goals, to the country's social, development and economic needs and to making a difference in the lives of the underprivileged.²¹³ Key to the group's CSI strategy are deliberate partnerships with government and reputable non-profit organisations whose development goals are aimed at viable, innovative and sustainable solutions in response to national and global priorities. CSI projects are therefore aimed at addressing social and economic disparities and responding to government's developmental priorities. Programmes are implemented within the following focus areas: Education, Health and Disability, Entrepreneurship, Environment as well as Heritage and Preservation. Projects are

²¹¹ Standard Bank at <http://sustainability.standardbank.com/socio-economic-dvt/investing-in-communities/corporate-social-investment>

²¹² Absa at <http://www.absa.co.za/Absacoza/About-Absa/Absa-Bank/BEE/Corporate-Social-Investment>

²¹³ Ibid.

implemented in an integrated manner through the Absa Foundation, Business Units and Absa Executives.²¹⁴

The group states on its website that it prides itself on being one of South Africa's leading CSI contributors.²¹⁵ The ABSA Foundation (now Barclays Group) is a major corporate contributor to community upliftment with special focus on education, job creation and health. The foundation receives annual funding equivalent to two per cent of group dividends. In the 15 years leading up to 2009, the foundation invested about R100 million in a wide range of social upliftment projects and partnerships.²¹⁶ The bank's citizenship strategy focuses on three areas: 'Contributing to growth, the way we do business and supporting our communities.'²¹⁷ This the group does through impacting skills to the next generation, partnering with the locals and clients to implement socio-economic initiatives.

The group's key focus areas within CSI have been selected to meet the company's goal of improving the lives of underprivileged South Africans.²¹⁸ From 2004 to 2010, the funding from Barclays went into the South African Institute of the Entrepreneurship's (SAIE) innovative school entrepreneurship programme, teaching business skills to learners from grade two to 12.²¹⁹ In 2011 the programme was extended to include a techno enterprise programme providing adults with an opportunity to own and run a computer centre. The programme also runs in four other provinces of South Africa, the Orange Free State, North West, Northern Cape and KwaZulu Natal apart from Ficksburg.²²⁰ Barclays funds two educational programmes committed to improving maths and science grades in disadvantaged schools across South Africa and early childhood development practitioners working in rural and disadvantaged communities.²²¹

²¹⁴ Ibid.

²¹⁵ Corporate social investment, accessed at https://www.absainvestments.co.za/wealth-and-investment-management/asset-management_corporate-social-investment.html

²¹⁶ Ibid.

²¹⁷ Ibid.

²¹⁸ Barclays at http://en.wikipedia.org/wiki/Barclays_Africa_Group

²¹⁹ SAIE accessed at <http://www.barclays.com/citizenship/supporting-communities/our-programmes-in-africa/south-african-institute-of-entrepreneurship.html>

²²⁰ Ibid.

²²¹ Ibid.

The group contributes to the entrepreneurship of South Africa by offering young entrepreneurs start-up capital, mentorship and skills training. For example the group has joined hands with the public benefit organisations to provide HIV and Aids awareness, home based care and assistance to orphans and vulnerable children.²²² The group also runs a number of special health projects with the cancer association of South Africa and Walter Sisulu paediatric centre for Africa. In addition, it has formed a partnership with the Thabo Mbeki development trust for disabled people, with the aim of supporting the empowerment of disabled people.²²³ Through collaborations with organisations such as the peace parks foundation, world wildlife fund, department of environmental affairs and tourism and the department of water affairs and forestry, the group creates environmental awareness and helps to preserve South Africa's rich natural heritage.²²⁴ The group sponsors a range of activities in the arts and sports sectors, like Design Indaba. It sponsors various theatre productions and most major sports teams including the national soccer squad Bafana Bafana and Springboks Rugby team.²²⁵

The group is committed to supporting development in South Africa and the rest of Africa through community investment (CI), consumer education and volunteerism. Its CI strategy recognises that skilled young people are essential to healthy communities and a successful economy. Guided by government's various development plans, particularly those that address skills amongst youth, it partners with non-profit organisations that achieve development goals through enterprise, financial and life skills. The aim is to empower youth aged between 10 and 35 years with the skills they require to become economically independent and secure. For example in 2012 the group spent R91.5 million on programmes benefitting over 400 000 individuals throughout the nine provinces in South Africa.²²⁶

Education is still at the heart of the group, which also focuses its attention on both the school children and teachers. It also has its fund which is especially dedicated to CSI spend, and its annual funding is equivalent to two per cent of the

²²² Ibid.

²²³ Ibid.

²²⁴ Ibid.

²²⁵ Ibid.

²²⁶ Absa at http://absa.investoreports.com/absa_iar_2012/downloads/Absa-Material-issues-2012.pdf

group's dividends. It also focuses on partnerships with the government and NPOs to promote different community initiatives. Such commitment to set aside a certain percentage which goes towards funding CSI spend is clear indication also that the group has embraced CSI not merely for philanthropic reasons, but this has become its manner of doing business.

FirstRand Bank (FNB)

FirstRand Foundation Sector Spend 2012/2013²²⁷

Sector	% Spend
Education	48
Arts and culture	9
Community care	8
Environment	6
Partnerships	6
Volunteers	4
Hospice	7
Food security and agricultural livelihoods	13

Like the Standard Bank, this bank has a commitment of one per cent contribution of its annual earnings after tax to its fund for CSI spend every year. It mainly focuses on education as well. Environmental issues are also considered part of CSI spend by the bank. It has many projects it is involved with through partnerships with other organisations, for example those fighting crime and other community partnerships. Its CSI spend every year also revolves around the examples established in its 2012 to 2013 spend. A special fund has been created to exclusively fund the CSI activities which is an indication of its commitment that CSI has also become its way of doing business.

In line with the vision of being a great business helping to create a better world, FNB views its role within the country as going way beyond that of a major

²²⁷ FirstRand fund accessed at <http://www.firstrand.co.za/csi/firstrand-foundation/Pages/firstrand-fund.aspx>

player in the business environment.²²⁸ A major element in achieving the goal of helping to create a better world is the work of the FNB Fund. The Fund is a significant part of the FirstRand Foundation which has a 16 year history of giving to the community. The foundation focuses on the development and empowerment of the broader community through partnerships with best practice NPO nationwide.²²⁹ FNB has identified education, early childhood development, hospice and community care programmes as the strategic areas of focus. Under education, tertiary bursary programmes provide both full and partial bursaries open to any South African citizen wishing to study a full time undergraduate degree at a recognised university around the country.²³⁰ Preference is given to financially disadvantaged students with academic potential. Primary education programme began in 2013, which programme focuses on teacher training, school management development and addressing barriers to learning such as disability, nutrition and poverty. 20 schools in Kwazulu Natal (KZN) and a further 20 in Orange Free State are currently being supported by the FNB fund. Early childhood developments (ECD) organisations are partnered with to train ECD practitioners and increase the skills based sector.²³¹

The FNB fund hospice programme established in 2006 supports best practice and sustainable local level hospices across the country in order to promote an improved quality of life and to restore the dignity to people infected and affected by the HIV and Aids pandemic and other life threatening diseases.²³² In community care, the Fund aims to promote safer communities, support victims of gender based violence and protect vulnerable children. The Fund partners with reputable NPOs in the field of crime prevention, prevention of violence against women and child welfare. The FirstRand foundation supports 13 unique programmes that focus on education, health and social development. The foundation is the vehicle through which the group and its businesses direct CSI.²³³ FirstRand believes that

²²⁸ FNB fund accessed at <https://www.fnb.co.za/about-fnb/csi/fnb-fund.html>

²²⁹ Ibid.

²³⁰ Ibid.

²³¹ Ibid.

²³² Ibid.

²³³ FNB at <http://www.firststrand.co.za/csi/Pages/CSI.aspx>

corporations have a responsibility beyond creating jobs and paying taxes – to contribute to the social and economic upliftment of all South Africans.

The bank has great concern for the high rate of crime in South Africa and in conjunction with the Group Forensic Services (GFS), it has launched a zero tolerance external reward initiative.²³⁴ This is an initiative to fight crime in the country by rewarding any person, be it its customers or staff, who provides information on criminals that have targeted its business and branches. The bank has also pledged its commitment to assist in eradicating crime by fully supporting the South African Police Service's 'ACT' initiative programme. This initiative is designed to assist with prevention of crime throughout South Africa.²³⁵

The bank carries out a number of projects through its fund. For example its Sithuthukile trust works to provide training to rural and farm based early childhood development practitioners in Mpumalanga.²³⁶ The training and resources in early education (TREE) trains approximately 3 000 people annually impacting the educational potential of up to 80 000 people. The impact of the training conducted by TREE goes beyond education as women are empowered and communities transformed through targeting not only ECD practitioners but also local communities, principals and most importantly parent committees.²³⁷

The bank has partnered with NGOS with a national reach like Childline South Africa. The organisation offers supportive and holistic programmes in the interest of child welfare. It reaches 1 120 000 direct beneficiaries each year.²³⁸ It has also partnered with the National Institute For Crime Prevention And Reintegration Of Offender (NICRO) which is committed to help create a safer South Africa by adopting an alternative approach to sentencing and providing a comprehensive crime reduction and prevention service.²³⁹ The FirstRand group companies

²³⁴ FNB at <https://www.fnb.co.za/about-fnb/csi/anti-crime-initiative.html>

²³⁵ Ibid.

²³⁶ FNB fund op cit (n228).

²³⁷ Ibid.

²³⁸ Ibid.

²³⁹ Ibid.

contribute one per cent of its after tax earnings to the FirstRand foundation which channels the funds to a variety of causes as listed above.²⁴⁰

Nedbank

Nedbank Socio Economic Development Spend 2013²⁴¹

Programme	% Spend
Education	42.83%
Environment	16.64%
Health	5.21%
Sport	4.02%
Welfare	9.92%
Arts and culture	1.42%
Community and skills development	19.96%

The bank's commitment to CSI also focuses on its spend as illustrated by the 2013 example. It is important to note that this particular group embraces environmental issues as part of its socio economic development and quite an amount of its spend goes towards the environment. Education is on its priority list with the biggest spend going towards it. The group's employees are actively involved in the social investment, spending time to volunteer their time towards imparting their skills and knowledge as well as volunteering in different projects. Its being voted the socially responsible bank of the year in 2013 in Africa is an indication of the fact that its CSI initiatives are at the heart of its strategies and that CSI for the group has become a way of doing its business.

The Nedbank Foundation is responsible for the largest portion of the bank's CSI disbursement. The bank states that while education clearly drives the country's growth and development, there are further compelling reasons why the Nedbank Foundation prioritises CSI spend in this area and these include: Addressing inequalities of South Africa's past by empowering more South Africans to reach their full potential, aligning with the South African government to eradicate poverty

²⁴⁰ FNB at http://www.firstrandvolunteers.co.za/live/content-layout.php?Category_ID=34

²⁴¹ Ibid.

and fostering a values driven society.²⁴² Nedbank defines a two pillar model for education intervention, with the first pillar focusing on individual learners and ranges from support during early childhood development through to bursary schemes for tertiary studies. The second pillar focuses on providing holistic support to beneficiary schools that Nedbank works with, enabling them to be more effective.²⁴³ This means that for the group, education is the gateway to all other facilities, and therefore for them, their priority in education means empowering individuals to unlock opportunities that lie ahead after having attained good education. Their concern for past social ills that prevailed in the country mainly lies in the deprivation of education for those who were disadvantaged mostly by the apartheid regime, although their educational sponsorship is open to all South Africans.

For example in support of education, in 2013 the bank introduced a 'back to school' campaign where Nedbank employees and the general public rallied to donate school resources to help underprivileged learners as part of the back to school jamboree.²⁴⁴ As part of the jamboree, Nedbank itself donated over R2.5 million to provide 2 000 underprivileged learners with basic resources. The jamboree motivated the staff members and the public to raise a further R500 000 worth of uniforms, shoes, bags and stationery to benefit an additional 500 learners. Since the campaign's inception in 2011, Nedbank has invested in excess of R6.5 million benefitting over 6 000 primary and high school learners.²⁴⁵ The quality of maths and science education was ranked last in a world economic forum survey of 62 countries. Nedbank in an effort to address such figures invested over R15 million during 2012 to more than 50% of its investment in education in the Nedbank Fundisa Maths and Science programme, an integrated school programme to benefit both learners and teachers. It also has a leadership development component whereby school principals and deputy principals embark on an 18 months

²⁴² Ibid.

²⁴³ Ibid.

²⁴⁴ Ibid.

²⁴⁵ Ibid.

programme to strengthen their educational leadership and improve their schools' results.²⁴⁶

Unemployment remains a big challenge and youths make up the majority of the unemployed and for many of them, a lack of entrepreneurial, marketable skills prevent them from creating or filling new jobs. Nedbank provides support for two types of initiatives seeking to address this challenge: Skills development programmes such as hospitality, winemaking, electrical engineering, plumbing, carpentry and furniture making. Wherever possible, the social and economic development initiatives supported by Nedbank are integrated sustainably to meet the living, financial and transformational needs of communities. A large number of Nedbank's interventions address the immediate needs of the most vulnerable members of society.

The bank is proactively involved in environmental management issues through its different partnerships as well. For example in November 2012, Nedbank in partnership with World Wide Fund for Nature South Africa (WWF-SA) officially launched the sustainable agriculture programme.²⁴⁷ The new partnership fosters and supports agricultural practices that harvest renewable food resources without decimating the environment. Nedbank became the first bank to sign the international CEO water mandate in 2011 and is helping to improve the future of South Africa's fresh water supply via the Nedbank water stewardship programme. In 2011 it announced an investment of R9 million in WWF-SA's water balance programme which is working to free large volumes of fresh water from the grip of alien invasive plant species in key catchment areas.²⁴⁸

The bank is also supportive of building healthy communities. One organisation it has supported in this way is Doctors for Life International, a non-governmental organisation (NGO) and registered non-profit organisation (NPO) that runs operation life child.²⁴⁹ HIV and AIDS remain a particular area of focus for Nedbank and the bank continued to support the Regency Foundation's countrywide 'HIV and me' programme in 2012. The programme is an educational initiative

²⁴⁶ Ibid.

²⁴⁷ Nedbank at <http://www.csi.nedbank.co.za/csi/mobilising-our-communities>

²⁴⁸ Ibid.

²⁴⁹ Nedbank at <http://www.csi.nedbank.co.za/csi/building-healthy-communities>

focusing on the prevention of and importantly for Nedbank, the post diagnosis management of HIV and Aids. Nedbank collaborated with Regency Foundation Network in both 2011 and 2012 to deliver 'HIV and me' programme in the North-west and Limpopo provinces with particularly high numbers of young people. The programme has reached over 2 000 learners, 65 teachers at 10 schools in these provinces.²⁵⁰

The issues of sustainability are overseen by the Group Transformation, Social and Ethics Committee (GTSEC) which is a subcommittee of the Nedbank Group Limited Board.²⁵¹ Nedbank Foundation in 2013 disbursed a total of R36 million which focuses on long term contributions to education, skills development and job creation, health and community development. The foundation supported 374 projects, reaching more than 8 000 beneficiaries.²⁵² The Nedbank External Bursary amounted to a value of R11 million in 2013.²⁵³ Staff members take time to apply their skills to improving the lives of others. This helps staff to understand the communities they are trying to serve. The Nedbank Affinity Programme donates to causes and organisations on behalf of clients. In 2013 a total of R27.8 million was distributed across the four affinities which are green, children's, sports and culture.

In the past five years Nedbank has spent over R400 million on socio economic development projects (SED). Through their SED the bank strives to accelerate transformation in an effort not to just raise the bar in terms of compliance with the Financial Services Commission, but also to entrench transformation within the organisational culture, enhance commitment as a corporate citizen and continue the drive to become a bank for all.²⁵⁴ Nedbank was voted Africa's socially responsible bank of the year by the African Banker magazine which organises the event. This award goes to an African bank which has the greatest socially responsible projects and policies. The award is also aimed at companies which go beyond philanthropic use of funds to further use their overall

²⁵⁰ Ibid.

²⁵¹ Nedbank at

www.Nedbankgroup.co.za/financial/Nedbank_ar2013/downloads/NedbankIR2013.pdf 2013 Report, 82.

²⁵² Ibid.

²⁵³ Ibid, 88.

²⁵⁴ Ibid.

knowledge, resources and reputation to improve the lives of those who are disadvantaged in society.²⁵⁵ The award is to celebrate the bank which excels in excellence and best practices in terms of CSI, which in turn serves as an incentives for banks to compete for the title as this alone raises the bar in terms of the bank's reputation, distinguishing it among its competitors.

Corporate Social Responsibility In The Top Four Australian Banks

Australian banks were guilty of indulging in what public relations watch described as an orgy of corporate irresponsibility.²⁵⁶ A changing business model saw banks substantially increase profits to record levels and executive remuneration along with them, by imposing on customers' punitive fees and charges and closing branches in less populous rural areas.²⁵⁷ Ultimately there was a consumer backlash with banks so unpopular with the public that at least one bank reported its employees were embarrassed to be seen in their corporate uniforms in public. In interviews conducted with CSR executives' representatives of Australia's four largest banks in 2006 to 2007 and reported by Pomeroy and Dolnicar, one executive revealed that banks were hated and they could not continue operating without listening to stakeholders.²⁵⁸

Australia's banks chose CSR as an opportunity to re-engage with employees, customers and communities and improve their corporate image. Westpac has been the most overt in its use of its CSR platform in corporate image advertising, though others such as Australia and New Zealand (ANZ) and National Australia Bank have also featured their community involvement initiatives in corporate image advertising.²⁵⁹ Another of the major banks has relied more heavily on corporate sponsorship of high profile sports and community initiatives to bolster its image.²⁶⁰ This means that for Australian banks, corporate social responsibility mainly came

²⁵⁵ Nedbank at http://nedbank.co.za/website/content/mediakit/media_content.asp?page=top&article=current&prID=1488

²⁵⁶ Public relations watch, 2006.

²⁵⁷ Beal & Delpachitra 2005.

²⁵⁸ A Pomeroy et al 'Assessing the pre-requisite of successful CSR implementation: Are consumers aware of CSR initiatives?' (2009) *Journal of business ethics*, 291.

²⁵⁹ Øyvind Ihlenyav et al May *The handbook of Communication and Corporate Social Responsibility*.

²⁶⁰ Ibid.

into play as a strategic move to attract and gain the confidence of the stakeholders who had been discouraged by the banks' existence. The banks had to find ways to appeal and gain the attention of the stakeholders and the only way was through something that would benefit the stakeholders. The CSR initiatives of the top four banks in Australia confirm the strategy.

National Australia Bank (NAB)

In 2014, NAB was ranked the 5th in the top ten CSR organisations in Australia, based on their scores in CSR management capabilities²⁶¹ The bank creates opportunities for all to enjoy that kind of wealth in their lives, and that means helping people have a healthy relationship with money, building prosperous communities and ensuring that they contribute to the bigger picture and a future focused nation. It states that while some think of it as corporate responsibility, they think of it as good business.²⁶² It also states that banks have a unique role in helping to build more prosperous communities. By investing in the organisations and industries that tie communities together and supporting initiatives focused on financial and social inclusion, young people, and encouraging a spirit of giving and volunteering they can help communities to thrive.²⁶³

Its investment in the communities has significantly increased over the years, with 2014 recording a high investment of \$67.6 million. Of the total investment in 2014, 80 per cent of the community investment was channelled towards Australian communities.²⁶⁴ The bank's investment covers all forms of support, from short term donations to longer term capacity building programmes. Some contributions are delivered in cash, others in kind.²⁶⁵ The key focus areas which receive high investments are education and young people, sports, the disadvantaged, enterprise and economic development. Focus areas such as environment and biodiversity, arts

²⁶¹ The state of CSR in Australia and New Zealand Annual review 2014, accessed at <http://static.stuff.co.nz/files/CSR.pdf>

²⁶² Ibid.

²⁶³ NAB dig deeper 2014 accessed at http://cr.nab.com.au/docs/nab0002_dig-deeper_2014_2.pdf, 23

²⁶⁴ Ibid.

²⁶⁵ Ibid.

and culture, health and medical research and emergency relief are also supported but get very little investment.²⁶⁶

The bank is involved in a number of projects. For example as founding champion of work inspiration in Australia the bank supports young people to be better prepared for work and life beyond school. In 2014 300 NAB employees mentored 400 students in 55 schools across Australia. The bank partnered with six local councils and ten business customers or prospects to deliver joint work inspiration programmes.²⁶⁷ The high resolves programme aiming high school students to increase their awareness and appreciation of community issues and the leadership role they can play delivered its global citizenship programme to 18 000 students across 115 Australian schools.²⁶⁸

A key focus for NAB is improving mental health outcomes for Australians, an issue directly related to its business and a significant issue for its customers and its people. On average 14 per cent of new income protection insurance claims in the business are related to mental illness.²⁶⁹ The bank encourages its staff to volunteer, make donations and become involved in the community. In 2014 the bank used its volunteering programme to strengthen and build world class customer relationships. In Australia the bank does this by enabling some of the frontline employees to undertake volunteering opportunities with their customers.²⁷⁰ The bank is also committed to addressing financial exclusion, supporting indigenous Australians and creating real job opportunities in banking regardless of background.

Commonwealth Bank

The bank has supported the Australian communities and their needs for over 100 years with a focus on inspirational partnerships, financial education, and indigenous engagement, nurturing young Australians, sustainable business practices and community support.²⁷¹ The bank has partnered with some of Australia's leading

²⁶⁶ Ibid.

²⁶⁷ Ibid, 25.

²⁶⁸ Ibid.

²⁶⁹ Ibid.

²⁷⁰ Ibid.

²⁷¹ Commonwealth community investment accessed at <https://www.commbank.com.au/about-us/who-we-are/in-the-community.html>

community and sports organisations. In terms of financial education, the bank works with young people across Australia to develop their money management skills through engaging financial education programmes like Start Smart.²⁷² The sustainability report of 2013 indicated that 284,834 students were reached through start smart. 3520 primary schools participated in the bank's school banking programme, with the result that 233,200 students were reached via the programme.²⁷³

The group's staff community fund is Australia's largest and longest running workplace giving programme. The group matches the staff's contributions dollar for dollar and in 2013 alone, the fund awarded two million Australian dollars in individual grants up to \$10 000 each to organisations focused on improving the health and well-being of Australian youth. The fund supports two charities addressing the health and well-being of young people²⁷⁴ as well as three of the country's most successful performing arts companies.

In support of communities, the bank in February 2012 formed a partnership with a Non-Profit Organisation that connects skilled people in corporate Australia with indigenous communities to share knowledge and expertise. Through these secondments, the staff had the opportunity to grow professionally and personally, while gaining an insight into indigenous culture and contributing to community development.²⁷⁵ This means that the bank is actively involved in promoting community growth through its staff which dedicates its time to extending their financial knowledge where it is most needed.

The bank is also proactive in its environmental stewardship where they are proactive in measuring and reducing their carbon footprint, as well as pursue business opportunities related to renewable energy, clean technology and carbon trading.²⁷⁶ When deciding whether to fund a project, the bank's Institutional Banking and Markets division undertakes intensive due diligence to ensure that its

²⁷² Ibid.

²⁷³ Commonwealth at <https://www.commbank.com.au/sustainability2013/community-contribution-and-action.html>

²⁷⁴ Ibid

²⁷⁵ Ibid

²⁷⁶ Environmental stewardship accessed at <https://www.commbank.com.au/sustainability2013/environmental-stewardship.html>

clients have the capability and capacity to manage the applicable environmental, social and governance (ESG) risks. In 2012 the Group developed a policy to improve the assessment of the environmental, social and governance risks for project financing in the natural resources sectors of Energy & Utilities, Oil & Gas and Metals & Mining.²⁷⁷ This is an example of how conscious a bank is regarding its indirect impact on the environment, through policies safeguarding environmental issues.

Westpac Bank

Westpac was rated the most sustainable company on earth in 2014, according to a new ranking from Corporate Knights, where in the previous year it held the 10th position.²⁷⁸ This means that the bank has policies in place and practices measured against certain criteria used to rank the corporates, upholding sustainability issues that enhance its business. Such sustainability issues cover environmental, social and governmental issues which the bank adequately addresses. The bank has a long history of supporting the communities where its people live and work.²⁷⁹ It mainly focuses on education, support for indigenous Australians, community, natural disaster relief and environment.²⁸⁰ In 2014 Westpac's community investment was \$217 million.²⁸¹ In terms of education, the bank has shown its commitment by introducing the largest private education scholarship programme in the history of Australia, the Westpac Bicentennial Foundation which exclusively focuses on education and advancement of Australians. A once off contribution of \$100 million will fund around 100 scholarships and grants every year in perpetuity to any Australian with the potential to shape Australia.²⁸²

The bank's employees are actively involved in the employee giving programme which supports the Australian community organisations through the generosity of the bank's people. The group has a range of long term community

²⁷⁷ Ibid.

²⁷⁸ Sustainable companies at <http://www.forbes.com/sites/jacquelynsmith/2014/01/22/the-worlds-most-sustainable-companies-of-2014/>

²⁷⁹ Westpac at <http://www.westpac.com.au/about-westpac/sustainability-and-community/our-community/our-approach/>

²⁸⁰ Ibid

²⁸¹ Westpac at <http://2014annualreport.westpacgroup.com.au/>

²⁸² Ibid.

partnerships that assist with a variety of community needs. There are three foundations within the Westpac group that focus exclusively on the community, each with their own governance and funding approaches.²⁸³ The bank assists with disaster recovery to communities and businesses whenever disaster strikes, by providing a range of services to support customers through financial difficulties. By micro financing initiatives, the bank supports disadvantaged and marginalised people to access loans for investments in areas such as small businesses, education and health.²⁸⁴ The ageing and increasing diversity of Australian population is one of the most significant social and economic challenges facing Australia. The bank makes it a priority to think more creatively about how to embrace these changes, including by championing inclusion, tapping into traditionally underemployed groups and supporting their careers, and shaping products and services to meet evolving customer needs.²⁸⁵

In terms of environmental issues, the bank is actively involved in managing its environmental impact. It focuses on reducing its carbon emission, use of paper, improving disposal and reporting waste, understanding and reporting its indirect climate change exposure, supporting CleanTech and environmental services.²⁸⁶ Although the bank may have minimal direct impact on environment, it is aware of the huge indirect impact it has through the companies to which they lend and invest, hence its practice of responsible lending.²⁸⁷ This goes to show how the bank seriously considers what it promotes through its lending practices over and above its quest for financial investments.

Australian and New Zealand Bank (ANZ)

The Chief Executive Officer of ANZ Bank Australia stated that 'we are focused on growing our business responsibly, managing risks rather than taking them and approach our role in society with a heightened sense of duty and care

²⁸³ Sustainability and Community op cit (n279).

²⁸⁴ Ibid.

²⁸⁵ Westpac at <http://2014annualreport.westpacgroup.com.au/our-performance/sustainability/embrace-societal-change>

²⁸⁶ Ibid.

²⁸⁷ Ibid.

towards our customers and the communities we serve.’²⁸⁸ This means that for the bank, responsibility does not lie in only growing the business to make profit, but extends to its awareness that they are operating in a society or a community that expects something out of their business. The bank is privy to the fact that they have to give back to the community where its business is operating as the same community forms its customers and employees. This goes back to the initial quest on the part of the banks to try and reach out to different stakeholders and prove that indeed banks are there to serve the people, following the negative perception that had developed among the different stakeholders that banks are concerned with the bottom line of financial returns, without caring for the needs of the stakeholders.

ANZ's approach to corporate sustainability focuses on the issues and opportunities most relevant to the business and expertise. Each year the bank sets goals and establishes work programs around priority issues for its industry, customers, employees and the community. These include providing responsible products and services for its customers, creating a diverse and inclusive workforce and improving financial capability particularly among the most disadvantaged people in the community.²⁸⁹ Its main focus areas include education, community partnerships, volunteering, environment and investments. Through its GIVE programme, the group gives donations to charities, invests in partnerships with community organisations, volunteer skills and time to support community causes and responds to emergencies through supporting disaster relief and recovery activities.²⁹⁰ Its staff is actively involved in the group's activities where the staff is mostly active in the volunteering section. They are also involved in giving, where through the ANZ foundation, the employees can make contributions to any of the nominated charity partners through regular payroll deductions.²⁹¹

The bank invests in the communities as well by supporting community initiatives that align with corporate sustainability priorities. These are sustainable development, diversity and inclusion and financial inclusion and capability. The

²⁸⁸ ANZ at <http://www.anz.com/about-us/corporate-responsibility/>

²⁸⁹ Ibid.

²⁹⁰ Ibid.

²⁹¹ Ibid.

group is committed to using its resources and expertise to build the financial knowledge, skills and confidence of the communities, particularly among the most vulnerable.²⁹² This includes making financial contribution, creating programmes and initiatives that help communities to thrive, improving financial capability, access to employment and education. Its approach is backed by research, informed by community consultation and delivered through partnerships with local community organisations and government. The group developed a number of programmes to improve financial literacy and inclusion among vulnerable members of the community and respond to some of the most significant challenges that the communities face.²⁹³

The bank acknowledges its direct and indirect impact on environment. It seeks understanding on the knowledge of the environmental issues and their impact on its stakeholders. It strives to reduce its environmental impact of its workplaces and its branches, by ensuring reduced carbon emissions, paper use, and waste. It also reports publicly its assurance on environmental issues and apply social and environmental criteria to lending decisions especially in sensitive sectors like energy.²⁹⁴ Like Westpac, ANZ bank is equally conscious of the indirect impact it has on environment through its lending practices in relation to the businesses which have a direct impact on the environment.

For the four big banks in Australia, it is also established that issues of education, support for marginalised groups in Australia, community partnerships, volunteering and environmental issues among others are key focus areas for their social responsibility. The most disadvantaged groups in Australia as evidenced by the banks' focus on these are the indigenous Australians, who are in the remote areas and have not adequate access to the basic facilities and are for the most part excluded in the development process. The banks focus their energy on including these groups through their different initiatives which include financial education and volunteering to impact their skills to them.

²⁹² Ibid.

²⁹³ Ibid.

²⁹⁴ ANZ at http://www.anz.com/resources/d/b/db373506-9e6d-446a-a54e-62c7b89a451d/ANZ_2013_CS_Review.pdf?MOD=AJPERES, 30.

Comparative Analysis

Although Australia is a developed country, it goes without saying that the fact that the banks' CSR addresses issues which are similar to those of developing South Africa is an indication that they are faced with similar issues. The difference may lie in the extent to which these issues affect the different communities in each country. The different CSR initiatives in both countries cover education, health, environment, arts and culture, volunteering, with education topping the list in both countries. This goes to show that education is highly regarded as critical to the continuous development of countries, whether developed or developing.

As illustrated from the brief backgrounds justifying CSR for both countries, it can be concluded that the socio-economic ills that the apartheid era left in South Africa are a major push or pull factor for CSI, while in Australia, issues of exclusion of the indigenous people have also become the reason why policies have been developed about inclusion of these groups in addition to the general negative perception which had developed as a result of their business conduct. In an effort to redress this negativity, the Australian banks now use CSR as a means to reach out to the different stakeholders with the hope of gaining their trust for their business. In South Africa, the banks' CSI initiatives were born out of a need to redress the inherent inequalities that prevailed after independence, in a bid to unite the different races that make up South Africa. The biggest initiative for South African banks is found on the country's values. The need for corporates to make a difference in the new South Africa and to be seen as relevant prompts these initiatives.

Whatever form it takes, CSR or CSI is a common and well recognised issue among the banks. It is an advanced imperative for the banks, which have embraced their duty to societies as corporates, to enable the development of the societies they serve, which investment is much to their advantage as they tend to benefit from the positive returns of their investment in various ways, like employing skilled people, operating in safe environments and serving satisfied customers. All their efforts cover altruistic, philanthropic and strategic CSR/CSI. Like other industries practising CSR or CSI, the banks have come to understand their responsibility in society and are continuously contributing to the development of the societies,

assisting the government efforts. This is clear evidence that corporates can afford to do so and so they should be required to do their part in the societies where their intervention is greatly needed.

CHAPTER FIVE

Overview of the CSR Practices and Recommendations for Further Research

Conclusion

The aim of Corporate Governance is to align as early as possible interests of individuals, corporations and society.²⁹⁵ In line with this aim, Corporate Social Responsibility was identified as one of the characteristics of good governance.²⁹⁶ This means that for businesses to be recognised as practising good corporate governance, there has to be some form of CSR practices prevailing in their business. The banking industry, aligning itself with the principles of good governance has thrived in CSR practices, with the sector using the principle mainly for strategic and altruistic reasons, upholding that which is good for the business and others. The most recognised definition for CSR which has become evident in research conducted for the different banking sectors in different countries would perhaps be that of the Commission of the European Commission, which stipulates CSR as a concept whereby companies integrate socio-environment and governance concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.²⁹⁷

The study of both the literature review and comparative analysis of South Africa and Australia has revealed banks as having gone beyond traditional banking where they were solely concerned with financial performance in their strategic investments, to becoming ethical banks where they believe that profitability should not be measured in terms of financial performance only, but that social and environmental returns be considered as well.²⁹⁸ They integrate ethics in their whole financial projects, which entails doing what is good for self and others. This means that they are therefore ready to accept the idea of working with narrower profit margins if this is compensated by further social or environmental added

²⁹⁵ Sir Adrian Cadbury op cit (n6).

²⁹⁶ King III op cit (n8).

²⁹⁷ Commission of the European Commission.

²⁹⁸ F Relano & E Paulet 'Corporate responsibility in the banking sector: a proposed typology for the Germany Case' (2012) 54 *JLM* 389.

value. Moving from traditional banking, for ethical banking, the maxim is less profit more sense- social values of economic projects are as important as their expected profitability.²⁹⁹ However good this may be, the critical point remains that of implementation. Writing a good CSR policy is far easier than putting it into everyday practice. The question is whether there is no gap between the theoretical intentions on sustainability as expressed in CSR reports and the practical consequences of certain financial activities. It has been argued that the simplest way of checking if the same policies of a given bank are really integrated in the day to day operations is to examine the structure of its balance sheet.³⁰⁰ This may not be possible with a simple stakeholder who simply believes the statement of the policy.

The research conducted on all the different banking sectors has revealed one common trait among the different banks in so far as their CSR practices are concerned. The practices all revolve around voluntary, stakeholder, social, environmental and economic dimensions. The banks, like other industry players have revealed that the government today is not the only legitimate vehicle for addressing the society's needs, but rather that businesses also work together to assist government efforts, realising the impact that the businesses have on the societies and also given that they can afford to be involved. Their CSR practices reported pay particular attention to the communities in which they operate and the stakeholders they serve in their particular countries.

Supported Theories for CSR

From a legal perspective theory, the banks have proved that social responsibility entails both voluntary and mandatory obligations by adhering to mandatory requirements established by government and then going further than mandated requirements out of willingness to contribute more than required. The philanthropic perspective has also seen banks coming to appreciate that as members of the society in a better position, they ought to help the less fortunate through their partnering efforts with some organisations and their different sponsorships. From a strategic perspective, the banks have also embraced CSR as a form of sustainability to ensure longevity of business operations, by meeting

²⁹⁹ Ibid.

³⁰⁰ Ibid, 380.

today's business needs without affecting future operations. CSR efforts are strategically aimed at improving the banks' image and brand, thus acting as a form of attraction for stakeholders as businesses to deal with. The neo-classical perspective has found little prevalence standing on its own as banks have come to appreciate that there is not one group that can only be served by business, bearing in mind a number of stakeholders affecting the businesses. In this vein, the banks have appreciated, through their CSR that besides the shareholder as the provider of capital for the business, other stakeholders' needs, like employees, customers, society, government and suppliers, who provide a wealth of indirect capital, need to be considered as well.

CSR Initiatives

A number of programmes are initiated, supported and sponsored by the banks in CSR terms, which include education, arts and culture, sport, community investment, women empowerment, environmental issues and health. Each banking sector in different countries concentrates on different issues. However, it has become apparent in the study that for developed countries, taking Australia for example, issues of environment dominate their CSR. As a result, the banking sector also concentrates much on these issues, although the research has also shown that education is at the heart of Australian banking sector. In the South African context, social issues dominate the banks' CSR. The need to address social and economic disparities existing among the different races in South Africa prompts a special focus on the social issues and assist government efforts to reduce such disparity, whereas in the Australian context environmental issues are of more concern as the social disparities are not as intense.

In as much as these banks are actively promoting the livelihoods of the communities they operate in through various initiatives, there are some social issues which have become a big concern at a global scale such as money laundering and terror financing. These social ills are issues of concern which cannot be fought at a national level alone if they are to be combatted. There is dire need for global associations for example in these instances to fight terrorism and money laundering. In this vein, banks in different countries, as part of their social

responsibility can also consider putting their efforts together to eradicate these problems, by putting together resources for one common purpose and achieve the results intended. This goes back to the suggested case where banks may need to consider consolidating their CSR efforts from a national level to an international level to realise a bigger responsibility that caters for all. It goes without saying that issues of this nature for example are not easy to implement as they are expensive, as opposed to their common initiatives which are much cheaper and easier to implement, giving an instantaneous positive image.

Reporting on CSR

The CSR practices in the different banking sectors are reported, with the exception of a few banks which do not have any reports of what they are doing. Reporting is a common trait among all the banks researched on, the difference being the quality and standard of reporting. In the South African context, the banks have adopted an integrated reporting approach similar to Australia, where the banks report on both the financial and non-financial issues in one report. This is a good practice as it gives both the stakeholder and investor a clear picture of a business' operations, although such reporting may prove complicated in some instances when it comes to consolidating information and reporting on material issues of all sectors in one report. Reporting also enables the business to have a picture of how much they are doing in terms of CSR, measure and improve on lacking areas, comparing with other competitors in the same sector.

Whilst reporting on their CSR practices is plausible, common among the banks researched on as well is the lack of measuring the success of the CSR initiatives they take. This means that there is no reporting on how far the CSR activities have gone to achieve the intended goals in so far as for example how the educational scholarships help the intended recipients and if there is improvement in the education aspect as a result of the extended assistance. There is dire need for success measurement of all the efforts done in the name of CSR to enable all the stakeholders to have a clear picture of the true value of these initiatives. It would also assist the banks to strategize better on focus points, rather than just donating or sponsoring cash or kind services without having feedback of progress. It may be

that the banks do measure the initiatives although they do not report on this, but this is also an area that needs to be addressed for the interested parties who also take part in these initiatives.

To whom are CSR Practices Directed?

CSR initiatives in most instances, as revealed by the studies focus on citizens of a particular country. For example in South Africa, education scholarships and grants are awarded to citizens and in some instances permanent residents only, save in rare circumstances where they may be awarded to anyone resident in the country. While it is good that these be specifically towards a country's citizens, the question that may arise is with regards to how the world has become a global society, with countries being occupied by different nationalities who contribute towards the upliftment of a country. South Africa for example has shortage of some human skills, which it sources from other nationalities. It would be of value for these to continue reskilling to assist the nation, but where they are excluded from such benefits accruing to citizens, questions would arise as to whether it is worth that they be excluded from the benefits and yet are contributing to the country's welfare through their skills. In some instances, citizens underutilise the benefits with the result that they remain unused. It would be commendable that banks in this regard pay attention to some issues like these where foreign nationalities are concerned, and consider including them in their CSR strategy, given that most of the banks often also operate in different countries apart from their own and may benefit from sponsoring these foreign nationals in the event that they leave the country.

Motives for CSR Practice

CSR has equally been embraced by the banking sector with different motives. Businesses generally face stiff competition among each other. In the case of banks, their competition also comes from other financial institutions which offer similar services although they are not banks, hence the need to do something to keep up with competition and stay in business. Customers are not expecting anything less from business, which means the banks have pressure to deliver to the satisfaction of their stakeholders to remain in competition. Issues like compliance

with laws as well motivate CSR practices, but above all other motivations banks have just come to appreciate that more ethical behaviour leads to both economic performance and social gains which increase wealth for all.

Further Areas of Research

The study focused on CSR in the top four banks of South Africa, comparing it with the top four banks of Australia. The study was limited to these banks' operations in South Africa and Australia only although they have branches in many parts of the world. It would be valuable to have a study of comparison regarding the same banks' practices in other countries with that of the countries of origin to see how far the CSR initiatives are carried over to those countries where these banks operate. There is need to see whether there are any differences in the practices where the banks are off home ground and why, if any, such differences exist. The research was a comparison between a developing and developed country, which served to compare the differences and similarities in CSR practices as a result of the different designations between the two countries. It would be valuable as well to compare South Africa with other developing countries which share the same background to see any similarities or differences existing and find out what motivates different practices among countries having similar backgrounds.

The focus on the top four banks is not a true reflection of what happens with all the other banks in South Africa. There is need to investigate CSR practices as well of smaller banks to see how they fare in their CSR. A comparison can also be done between the small and big banks to see how they compare and to find out why if any, there could be a difference in their practices. A comparative study of the banks with other financial sectors in South Africa could be another valuable study to give a picture of what the financial sector as a whole is achieving its CSR in the country.

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